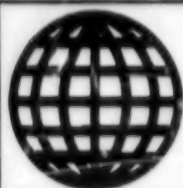


JPRS-UEA-90-031  
30 AUGUST 1990



**FOREIGN  
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# ***JPRS Report***

## **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-90-031

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30 August 1990

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Goskomstat Reports on Economic Padding, Stealing

904A0487A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 28 Jul 90 p 12

[Article by V. Yuryev: "If We Trust the Goskomstat..."]

[Text] In 1989, control and inspection services of ministries and departments conducted 562,000 checks and inspections of industrial and financial and economic activities of enterprises and organizations. Some 97,000 cases of short-changing and stealing, and 18,000 of padding and distorted reporting, were uncovered. Irregularities were found in one out of five inspected enterprises.

#### Losses from Short-Changing, Stealing, Padding and Distorted Reporting Uncovered by Departmental Control Entities

	1986	1987	1988	1989
Total, (mil. rubles)	636.9	600.0	494.0	468.1
Short-Changing, Stealing	228.9	234.9	235.1	213.4
Losses Due to Padding, Distortions	57.2	58.3	62.9	64.8

One doubts that this table accurately reflects all losses from short-changing, stealing and padding, but it still gives cause for serious concern.

"Tsentsosoyuz" is the absolute leader in the number of enterprises where distortions and padding were uncovered: it has 1,088 of them. Securely in second place is the USSR Ministry of Railways system, with 748 of its enterprises caught red-handed. Strange though it may sound, the leading trio includes the Ministry of the Coal Industry, with 533 enterprises among violators.

Readers may also want to know the following figures: in 1989, based on results of inspections and checks, 20,200 cases involving a total of R208.5 million were remanded to law enforcement entities for prosecution. Note that it amounts to just 45 percent of all uncovered losses. (See Table 2.)

	1986	1987	1988	1989
Cases Sent for Prosecution (thousands)	25,200	25,200	21,800	20,200
Losses, (mil. rubles)	280.5	362.5	227.6	208.5
Collected from Guilty Parties (mil. rubles)	141.5	139.0	130.7	122.9

Compared to 1988, the number of persons sentenced to repay material damages fell by 17 percent, sentenced to disciplinary measures by 11 percent and relieved of their duties by 11 percent. Such figures would have made us happy had they been accompanied by improved workplace discipline or lower losses. Unfortunately, this is yet to occur.

If the work of inspectors were to be assessed based on these figures alone, they would get good marks.

But there is one small problem. Judging by articles in our weekly publications and other newspapers, radio and television reports and numerous letters to editors, no serious improvement in safeguarding the property of enterprises has been achieved. The same conclusion is suggested by data from inspections by various non-departmental control bodies. (See "We Cannot Keep What We Have," No.7, 1990; "Prices Climb Ever Higher," No. 19; "We Are Tired of Being Slave-Drivers," No.25; etc.) Yet, a report by the USSR Goskomstat [State Committee for Statistics] sets out to convince us that in the past four years the situation has improved almost 1.5 times. (See Table 1.)

Today one often hears about the need to abolish departmental control. It is said that the system merely gets in the way of people doing their job. Of course, its forms and methods can be improved. Departmental inspectors should probably work more closely with banking and financial entities and to conduct inspections not for the purpose of identifying violators but mainly to study the situation at the enterprise and to develop measures to improve its work.

In the current complex economic situation, wholesale cutbacks in departmental control will immediately trigger increased violations of all kinds, losses and false reporting. And we already have plenty of such things.

### Lack of Confidence in Government Hinders Market Reforms

904A0475A Moscow *POISK* in Russian No 22,  
1-7 Jun 90 pp 4-5

[Interview with People's Deputy of the USSR Gennadiy Filshin by Lyudmila Telen: "A Step Forward"; date and place not specified]

[Text] For two months, the Government of the USSR kept the country in a state of tense expectation. Twice Prime Minister N. Ryzhkov presented to the President's Council his concept of a radical transition to the market. Thereader of *POISK* was able to learn about the first version from the conversation with the president's assistant Nikolay Petrakov, corresponding member of the USSR Academy of Sciences. He could learn about the last version from the government's official report. Did the concept for a transition to the market become more radical? Were its authors able to find the shortest and

safest path to the market? Did they hear the voice of authoritative critics or, as has happened more than once, did they follow their own course? These and other questions were heard with great vehemence from the rostrum of the USSR Supreme Soviet session. In the break between meetings, I asked People's Deputy of the USSR Gennadiy Filshin to answer them.

I admit that the choice of interlocutor was no accident. Gennadiy Filshin is secretary of the Planning and Budget-Finance Commission of the Council of the Union. His statement against the draft plan and budget for 1990 was the sensation of the fall session. He subjected the government program for the normalization of the economy that was presented to the Second Congress of People's Deputies of the USSR to even sharper criticism for its half-heartedness and inconsistency. And this time he had to come forward with an alternative but constructive program.

[Telen] You must agree, Gennadiy Innokentyevich, that the rumors that the government finally decided on a radical transition to the market gave us a certain amount of hope. What efforts the country's best economists put into propagandizing this idea and how many accusations were heard from high platforms about the undermining of principles! And then it happened: the government itself swore allegiance to the market. But hopes were mixed with concern. Can our government be more radical? Will the premier and those of like mind be able to get out from under the weight of the command-administrative system? I think that I was not the only one tortured by doubt.

[Filshin] I admit that from the very start I doubted the sincerity of the government's intentions: these people had resisted the market for too long and too stubbornly. Circumstances forced them to make concessions. I remind you that by the end of the first quarter the social and economic situation in the country had worsened dramatically. We continued to slide into a crisis even though it seemed that we had already reached the very bottom of the abyss. In four months, national income declined by more than 1.5 percent. The volume of industrial output also declined. The emission [of money] continued to increase incredibly rapidly. The amount of money in circulation not covered by goods grew by almost six billion rubles. There was an increase in centrifugal forces; one by one, the republics tried to break with the "strong center." In short, it became obvious to all that the program from the previous year had suffered a fiasco and that it was urgently necessary to save the reputation of the government. It was then that people began to talk about a possible radicalization of reform.

[Telen] Is the reason for the reversal in the economy really so elementary?

[Filshin] This is just one of the reasons, of course. It is not as simple as that. I remember that at the end of April

Nikolay Ivanovich Ryzhkov invited the member economists of the interregional group to come see him. We sat with him for almost four hours and left in the certainty that our arguments and doubts had been heard. I believed especially that the opinion of such authoritative scientists as Stanislav Shatalin, Nikolay Petrakov and Pavel Bunich, who had appeared in the press with exhaustive articles on the transition to the market, would be heard. Alas, the final version of the concept turned out to be permeated with the previous command-administrative approaches.

[Telen] What do you think can explain this obstinacy on the part of the government?

[Filshin] One can only guess about this. I do not exclude the possibility that conservative forces had demonstrated their power to us one more time.

Do you think that the movement toward the market is pleasing to representatives of the military-industrial complex, in which command-administrative methods are organically inherent? But here is something that not everyone knows: of the 13 deputies of the prime minister, seven represent the interests of the military-industrial complex. Not to mention the fact that the heads of the ministries and departments, the basis of the administrative system, are absolutely uninterested in market reform. As you see, there are many enemies of the new economy.

[Telen] Nevertheless, these are just suppositions.... We can judge the results of the struggle unseen by the world on the basis of the presented document. And here I will agree with you: even with the best of intentions, it is difficult to call this program radical. It has the same transition period spread over a decade, the same hopes for an effect from administrative methods and the same abundance of stipulations and assertions about the firmness of the socialist choice. Radicalism was manifested in just one thing: in the promised jump in prices.

[Filshin] But then let us set the accents right away. The so-called reform of price-setting has nothing to do with the market.

[Telen] As far as I remember, essentially the same program was proposed back in 1988 and at that time no one linked it with a radical transition to the market.

[Filshin] It was proposed, criticized and rejected! And now it has reappeared in a package of market measures. But will it really bring the market closer? It is proposed that prices be raised in the usual centralized manner. It is promised that only 15 to 20 percent of the prices will be freed in the next two or three years. But where is the radicalism if even in today's by no means market economy eight to nine percent of the prices for food are already free and 15 percent of the prices for the means of production. In addition, price freedom is promised primarily in the consumer market with the greatest shortages. But what about the prices for raw materials, the

means of production and everything comprising above-standard stocks? This, it would logically seem, is what should be put on the free market without limitations. But no, the state proposes to control these prices strictly. I am sure that such a reform is nothing more than an attempt to shift the problems of the government to the shoulders of the people. Moreover, the very "price" of the reform puts me on the alert: under the draft, it is supposed to provide an additional 65 billion rubles to the budget. This amount is equal to the deficit—to the kopeck! Is that not a strange coincidence? It is as though the entire recalculation of prices is for the purpose of covering the tear in the budget.

[Telen] Thus, in your view, this reform does not move toward the market. Does this mean that a fundamentally different reform needs to be worked out instead?

[Filshin] Of course. But it is necessary to proceed from the fact that free prices will inevitably arise from market relations if we are in fact able to restore them.

[Telen] There simply is no other way out for us. The question is something else: What price will we pay for the transition to a civilized economy? Every day of delay not only increases this price but is already multiplying it. A turning to the market is essential but there is also a danger of missing a curve. What, in your view, is the shortest and safest way to the market?

[Filshin] The market is above all competition, something that we still have no knowledge of. Can it be restored quickly? I think that it can. The formula for this is known to the entire world and has been tried repeatedly in practice. I mean the forced privatization of state property and the selling off of the means of production to shareholders, cooperatives, labor collectives and foreign firms.

We rejected the Polish version of shock therapy. And we were probably correct in doing so, because, in contrast to the Poles, we have quite powerful "anesthetics." I will remind you that at the time of the reform in Poland, land and small enterprises were already in private hands. It was possible to balance income and expenditures only in the consumer market. Our situation is fundamentally different. It gives us a chance to shift money not covered by commodities directly into the production sphere.

[Telen] The government's program touches on this problem, replacing, to be sure, the foreign concept of "privatization" with the awkward destatization.

[Filshin] But it is proposing that the process be spread over 10 to 15 years! And this is not all. Many branches, including base branches, are being excluded from the process of denationalization completely. In addition, the government has simply not proposed a specific calculated program and as a result we have received only the usual declarations of intentions. Is it a joke that it will cost more than a trillion rubles to denationalize 60 percent of fixed capital? At such a pace and treatment of

the future reform, for decades to come we will see competition only between consumers and not between producers.

[Telen] I recall the speech at the session by Academician Mikhail Bronshteyn. "I do not see how we intend to activate that part of the population that is supposed to pull us out of the hole," he said, meaning the people employed in the production of goods. It is difficult not to agree with him. After all, we not only do not give property to people but we do not give them freedom either, even in the scope permitted by law.

[Filshin] Do you mean taxes? Bronshteyn is right: it is easy with their help to suppress any entrepreneurial activity. Fifty five percent plus profitability limited to 30 percent is the way to the continued decline of production. If we are truly interested in the market, we cannot agree with these rates. But this is not enough. It is necessary to remove absolutely all restrictions on producers of consumer goods and to encourage them through all possible means. Alas, the government's program does not say anything about this either. On the contrary, the government will continue with the help of state orders, funds and quotas to restrict enterprise drastically, regardless of the field or form of ownership in which it might be manifested.

[Telen] Producers must be encouraged through possible profit and earnings—in short, through the ruble. But can this really be a stimulus in the case of uncontrolled inflation?

[Filshin] Unfortunately, we will not achieve financial normalization if the concept is approved. All of the measures here are indecisive and inconsistent. Here is a typical example. The government is finally recognizing a two-level banking system but is not proposing the removal of USSR Gosbank [State Bank] from its subordination. It is not proposing this, because with independence Gosbank will simply cease to cover the government's mistakes through the emission of money. Such a half-heartedness is seen in all the proposals, whether it be the tying up of "hot" money, the modification of budget policy or changes in the area of investments.

[Telen] Meanwhile, any competent economist with a market orientation will easily propose a dozen measures, with the help of which it is possible to tie up money not covered by commodities. Besides the buying back of the means of production, they point out the issue of shares, loans of things and a sharp increase in the interest rates of the savings bank....

[Filshin] What of it, were any other proposals of specialists heard? We have been talking for so many years about an abrupt and relentless reduction of planned investments. But what is the sense of it?

It is necessary for us to reduce investments by 40 percent and to bring about a resolute redistribution of the rest in favor of the social sphere and consumer sector. The five-percent capital investments that are foreseen for group "B" today are undermining the future basis of the consumer market.

[Telen] And if all of these proposals were heard? Will the administrative mechanism now in operation permit their implementation?

[Filshin] I fear that it will not. It is not only a matter of the mechanism but also of the real social and political situation that has developed in the country. Today there are two powerful conflicts that will prevent us from progressing even with the best of intentions of the government. The first is between the enterprise and the ministry. In maintaining the previous administrative structure, the government is nullifying all of our and often its own efforts. It is enough to recall those obstacles that departments immediately put up in the path of enterprises to leasing. To wait, as the concept suggests, until the ministries themselves die off means to destroy the market reform. The second and no less serious conflict developed in the relations between the recently elected soviets and the population. As required by the directive of the 19th Party Conference, local party officials were able in many, especially remote, cities and rayons to head the Council of People's Deputies. Most of these people were cadres of the old breed. Is there any need to explain why the market reform will hardly be greeted with enthusiasm by all the local authorities?

[Telen] Gennadiy Innokentyevich, I would name a third no less dangerous bundle of contractions: between the most healthy and competent part of the society that accepts the market and the huge mass of people who generally have a poor idea of what we are talking about and therefore do not believe in the market and fear it.

[Filshin] I believe that thanks to the tactics of the government the ranks of these people have increased dramatically. They have now been definitively confirmed in their fears that the market does not promise them anything other than a multiplying of prices. I would call this a real sabotage of the market.

Meanwhile, economists have always emphasized that the transition to the market must be attractive for all participants in production.

And it was a matter not merely of skillful verbal agitation but also of specific actions. It was proposed, for example, that in the first and most difficult stage all forces should be put into stabilizing the consumer market. Not to spare anything but throw goods into it. After all, we will not immediately have a powerful stratum of owners and entrepreneurs who by definition must support the market. It is no less important that from the very beginning the laws should guarantee to the owner the inviolability of his rights. This is why in the transition to the market it is necessary for us to reexamine even recently passed laws—say, on ownership and land. All

of the restrictions that were dictated by ideology must be removed: private ownership must be called private and hired labor must be called hired labor. By the way, this verbal camouflage is not so harmless. Indeed, who will gain from the fact that we will cry out about the inadmissibility of unemployment—this is under the market!—instead of developing a program of retraining, job placement and social protection of the unemployed. And, finally, still another and perhaps the most important condition in the successful transition to the market is confidence in the government.

[Telen] You have no confidence in it?

[Filshin] No, I do not but it is not a matter of what I think. Say, is the devastation of the stores on the day of the speech by the prime minister not an indication of the lack of confidence by the people? Otherwise how can one explain the fact that people did not believe and to this day do not believe the assertions that no one will raise prices without their consent.... I am convinced that only a government of national consent is capable of carrying out market reform.

#### **Silayev Comments On Purpose Of Scientific-Industrial Union**

904A0419A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 23, Jun 90 p 2

[Interview with I.S. Silayev, deputy chairman of the USSR Council of Ministers, by N. Tarasenko, Moscow: "In Search Of Support"]

[Text] The leaders of the country's largest associations, factories and scientific organizations and also leading economists decided to unite together under the same roof—to create a Scientific-Industrial Union of the USSR.

The first meeting of the preparatory committee for this Scientific-Industrial Union was held last Tuesday. The deputy chairman of the USSR Council of Ministers, I.S. Silayev, participated in and delivered a speech during this meeting. Following the meeting, Ivan Stepanovich answered questions addressed to him by EZH [*EKONOMIKA I ZHIZN*].

[Tarasenko] What is your opinion regarding the creation of an independent social organization?

[Silayev] I fully support this idea, as expressed in an appeal made by a group of the country's people's deputies. The Scientific-Industrial Union of the USSR must become a basically new phenomenon in the country's social life. While defending the interests of those collectives entering it, the union must promote economic development and scientific-technical progress. Included among the principal tasks of the union—the formation



of a high social status and prestige for business undertakings, support for promising innovative plans, assistance in the development of various forms for cooperation and integration among enterprises and close international economic collaboration.

[Tarasenko] I noted many familiar names on the list of those invited to attend the meeting of the preparatory committee. This included mainly the leaders of our industrial giants—Uralmash [Ural Heavy Machinery Plant imeni Sergo Ordzhonikidze], Rosselmash, ZIL [Moscow Automobile Plant imeni I.A. Likhachev], KamAZ [Kama Automobile Plant], AvtoVAZ, Novolipetsk Metallurgical Combine, Leningrad "Svetlana" Association and the Lvov "Elektron" Concern. Why is it that the more economically successful "firms" are being merged together?

[Silayev] Today those enterprises which are standing firmly on their own feet require an expansion in their economic independence. Those which for many years have survived on financial injections cannot even dream about such freedom. They became accustomed to living in this manner. During the meeting, a proposal was made calling for the union to furnish assistance to low profitability and unprofitable enterprises. I believe that in this instance we do not have charity in mind. Similar non-governmental organizations of owners of industry exist in other countries throughout the world. Unprofitable or low profitability enterprises cannot be members of these organizations.

Support for efficiently operating enterprises—this represents a means for overcoming crisis phenomena in our economy and for achieving genuine cost accounting.

[Tarasenko] Is there no fear that the Scientific-Industrial Union, after gathering strength, will become a type of shadow cabinet and exert pressure upon the USSR Supreme Soviet and the government?

[Silayev] Such fears are not justified. Any government, be it poor or good, is interested in stable and efficient industrial operations. The more profit an enterprise earns, the more funds will be added to the state treasury. I do not view the creation of the union as being in opposition to the USSR Supreme Soviet or the government.

[Tarasenko] Will not the creation of the union serve to strengthen the monopolistic status of some enterprises and entire branches?

[Silayev] I consider one of the principal tasks of the Scientific-Industrial Union of the USSR to be that of solving the problem of demonopolization. But the economic leaders will not voluntarily create competitors for themselves. The union must furnish assistance in developing a mechanism which will stimulate the creation of "like elements" among the monopolist-enterprises. There is no room in the union for those who stand idle.

### Creation of Leningrad Commodity Exchange Under Discussion

904A0434A Moscow PRAVDA in Russian 15 Jun 90  
Second Edition p 2

[Interview with O. Amurzhuyev, deputy director of a working group, chief of a section at USSR Gosplan and Candidate of Economic Sciences, by PRAVDA correspondent O. Mikheyev; date and place not specified]

[Text] Plans call for a commodity exchange to open in Leningrad during the first quarter of next year. A working group of economists, scientists and practical workers has been created at the present time for the purpose of working out the mechanism for its functioning.

Questions raised by our correspondent O. Mikheyev are herein answered by the deputy director of this working group, chief of a subsection at USSR Gosplan [State Committee for Material and Technical Supply] and Candidate of Economic Sciences O. Amurzhuyev:

[Amurzhuyev] The market created in our country requires its own regulators. An exchange is its most important element. Leningrad was selected as the location for the new exchange owing to the fact that large industries, science and trade, a maritime port and well organized information and transport services are all found here. Construction materials, as an object for action by the exchange, were selected for a number of reasons. They are the products of mass production and demand, for which there are large reserves for increasing output. The production of construction materials represents one of the least monopolistic sectors of our economy.

[Mikheyev] Oleg Vladimirovich, how does this exchange differ from the usual western exchange?

[Amurzhuyev] It differs by virtue of the fact that there this instrument for market self-regulation has been developed to perfection over a period of centuries. There exists detailed exchange legislation and highly skilled brokers. We lack the opportunity to mechanically transfer western experience over to our own soil: nobody is training professional brokers and we lack the appropriate laws and conditions. An elementary future transaction on the western exchange would immediately be viewed under our long obsolete criminal legislation as speculative in nature.

Our variant of an exchange during the initial stages is more similar to auction sales. A chief consideration is that the prices be free, similar to the selection of a seller or purchaser. But this is already a step beyond auctions. Here we have episodes and one-time actions, whereas an exchange is a constantly active building for "businesslike meetings." In addition, professional intermediaries and brokers are at work here. Finally, a mechanism for quoting (averaging out) prices is placed in operation: each day, following the closing of the exchange, the

prices of transactions are published and the mean prices are eliminated. This furnishes a reference point for the market for the following day.

[Mikheyev] In this sense, an exchange is not simply a meeting place for sellers and purchasers and demand and supply, but it is also a place where prices are controlled. Is this not so?

[Amurzhuyev] I would say that it is a great neutralizing factor and one which serves to suppress prices. It eliminates their sharp jumps and smooths out their effects. That which the state does in a clumsy manner and as a rule unsuccessfully, by ordering the prices and forcing them to remain stock-still or to march there and back in formation, the exchange does on a continual basis while not destroying production but rather stimulating its activity.

At the present time, there is nobody in our country who knows where, by whom and at what price commodity resources are being sold and purchased. Under our conditions, there is not and cannot be a system for such information—complete and operational. Thus, incredible jumps in prices are possible during sales. An exchange provides a unique opportunity for concentrating in one place a large number of sales and large volumes for supply and demand. Under these conditions, a price may be completely different and perhaps lower by a factor of 5-6 than those which occur in connection with separate and isolated transactions.

I would state the situation as follows: an exchange must become an inalienable and most important element of the market economy which we wish to build. And under our conditions it must become a channel for introducing market relationships into economic practice.

[Mikheyev] Can today's wholesale trade fairs serve as forerunners for an exchange?

[Amurzhuyev] Not really. Such fairs attract considerably more purchasers than sellers. Prices established by the state and not free prices are found here. More often than not the participants are motivated more by administrative pressure than by interest. An exchange is something else entirely. Here the interest of a seller and the interest of a purchaser come together and the decisions handed down are mutually satisfactory. Meanwhile, the state, at such times, is engaged in other more important affairs. It bears mentioning that with all transactions and their prices being registered, the state truly holds its finger on the live pulse of the economy and does not tolerate any obsequious statistics or information that is delayed for months.

[Mikheyev] Will other commodity exchanges be created throughout the country?

[Amurzhuyev] In the governmental documents adopted at the beginning of the year, mention is made of 13 exchanges or zonal wholesale trade centers. When NEP [New Economic Policy (1921-1936)] was in full swing in

Russia, there were more than 100 commodity exchanges operating in an extremely successful manner. Many maintain that the first steps include building this mechanism into an economy that has mastered the ABC's of the market.

[Mikheyev] Recently, the press has published information indicating that commodity exchanges will appear throughout the country even earlier than the times mentioned by you, including for example, in Moscow, where a number of cooperative and joint enterprises are being established.

[Amurzhuyev] The development of an exchange trade will be carried out using various methods. Truly, there will be no monopolies here. Thus, all attempts and experiments can only be welcomed.

Nevertheless, I believe that the creation of a fully competent commodity exchange requires intensive labor and will become truly possible only following the introduction of special rules and legislative measures and also the creation of the necessary conditions. If this is not done, then we will be able to discuss only individual elements of an exchange trade.

#### **Attitudes, Production Results Under Leasing Surveyed**

904A0427A Moscow KHOZYAYSTVO I PRAVO  
in Russian No 5, May 90 pp 20-28

[Article by Doctor of Juridical Sciences A. Nozdrachev: "Plan: A Portrait Without Retouching (According to Sociological Research Materials)"]

[Text] Today leasing relations have become an integral element of the restructuring of national economic management. This advanced, new form of socialist management is characterized primarily by the economic separation of enterprises as commodity producers and democratization of management. Now it is universally recognized that the matter of leasing concerns power over the means of production. Therefore, ministries and other superior organizations, afraid to lose control, reluctantly release enterprises for leasing and impose shackling contractual terms on collectives. In connection with this the lessees' aspiration for unification is understandable. The following step—convening the founding congress of the USSR Union of Lessees and Collective Owners at the beginning of 1990—is fully legitimate. After all, many obstacles of an administrative and bureaucratic nature appear on the path of leasing to this day. Even the Fundamentals of Legislation of the USSR and Union Republics on Leasing adopted on 23 November 1989, which were supposed to eliminate many problems, are not properly executed in practice.

During 1989 the All-Union Scientific Research Institute of Soviet State Construction and Legislation studied by concrete sociological research methods the experience in the application of legislation on planning production and economic activity under conditions of leasing relations

at 50 enterprises in the country's various regions. The research results are of great practical importance for a correct application of the Fundamentals of Legislation on Leasing.

To change over to leasing or not—the labor collective itself decides this. In this case the superior body must give it assistance in improving the planning and organization of production and economic activity and in introducing advanced work experience—not only show maximum concern for guaranteed deductions from the income of enterprises. The answers of managers of leasing enterprises to the question "from whom came the initiative to change over to leasing?" were distributed as follows: from the labor collective—54.8 percent; from the superior body—14.2 percent; from other bodies—31 percent. Often labor collectives change over to leasing on orders from above. However, it has long been demonstrated that an administrative, campaign-like planting of new things does only damage, gives rise to distrust of them, and deforms the developing method of management. The results of the work done indicate that there are leasing collectives where there is no trace of leasing: Contracts are not concluded, obligations, sanctions for their infringement, and terms of payment are not determined, and superior bodies establish state orders for all output, determine other assignments, and so forth. Managers of leasing enterprises also point out that, when changing over to leasing, they have encountered both indifference and active opposition on the part of superior bodies. To the question "if the initiative came from the collective itself, what was the attitude of the superior body to it?" the following answers were given: 81.1 percent—it supported the collective's initiative; 8.1 percent—it was indifferent; 8.1—it hampered the change-over to leasing; 2.7 percent—it formally approved, but, in fact, hindered it (endless studies, agreements, settlements, and coordinations).

Meanwhile, management bodies do not have the right to prohibit labor collectives from changing over to leasing. Only one condition should be observed: The enterprise cannot change over to leasing if it does not undertake on the basis of an agreement the fulfillment of the state order and orders for the sale of output according to existing economic relations in a volume not below the obligations assumed on the date of the change-over to leasing. Only in this case does the management body have the right to hinder the change-over to leasing. If the leasing agreement is drawn up correctly, the administrative legal subordination (superior body—enterprise) is replaced with equal relations (lessor—lessee) and, in fact, the enterprise is no longer subordinate to the ministry in the former sense of these mutual relations. How do managers of leasing enterprises explain the reasons for the opposition on the part of management bodies? In their opinion, managers' fear to lose their authority is reflected in every second case and unwillingness to give up former methods of work, in every fifth case. The fear to become totally unnecessary under conditions of leasing independence is felt often. Apparently, there are grounds

for such apprehensions, but they are of a speculative nature. In essence, precisely management bodies should be interested in collectives' change-over to leasing. After all, they should give preference to the collectives that assume planned obligations for the production of products most important and necessary for the state.

To the question "with the change-over to leasing has the collective's real independence in planning increased?" only 54.8 percent of the managers of leasing collectives answered positively and 45.2 percent, negatively. For example, I. Butin, director of the Azovzhelezobeton Production Association, reported that the association operated on the basis of leasing since January 1989, but the UkSSR Ministry of Construction continued to dictate its "rules of the game"—assignments, allocations, and limits. The director rightfully raises the following question: "Why then the leasing agreement?"

The functions of managing the planned activity of the leasing enterprise on the part of the lessor—the management body—change fundamentally. After all, interference in production activity should be ruled out. Leasing enterprises independently solve problems of determining the volume and list of produced products (except for the state order and orders for the sale of output according to existing economic relations), transferring the production of individual products to cooperatives, selecting operating conditions, and so forth. Leasing promotes the adoption of stepped-up plans and their prompt and qualitative fulfillment. However, to the question "if, the results of enterprise operation after the change-over to leasing are described as a whole, have they improved significantly?" only 38 percent of the managers of leasing enterprises answered "yes," 54.8 percent, "negligibly," 4.8 percent, "have remained unchanged," and 2.4, "have worsened."

Clarity of the long-term outlook for economic and social activity for five years and longer is one of the basic advantages of work under leasing conditions. The parties themselves determine the leasing period. The survey has shown that the length of this period is different—from 1 to 10 years. It seems that the period of leasing an enterprise cannot be shorter than 10 years. Hiring or renting agreements can be concluded for a shorter period. However, many unsolved problems still hamper the attainment of this long-term period. For example, the general director of the Svema Scientific Production Association noted the following: "Owing to the lack of a uniform tax system, the outlook is not clear. Therefore, existing production development plans for subsequent years are not backed with resources for retooling and reconstruction and are unrealistic. The resources available to the leasing collective are guaranteed only until 1990. Annoying disruptions with the realization of allocations for raw materials are a hindrance." Such inconsistency greatly hampers long-term production planning under leasing conditions.

The agreement is the legal basis for planning the production and economic activity of the leasing enterprise. Let



us take, for example, the agreement on leasing and conditions of economic activity concluded between the labor collective of the Voskresensk Mashinostroitel Plant and the former main committee and now the Moscow Oblast Construction Committee. The system of indicators established by this document points to the indissoluble connection between the leasing agreement and the state plan. It states that the collective of the Mashinostroitel Plant undertakes "to ensure the observance of state discipline and legality, to compensate for the damage, and to ensure the fulfillment of plans, the state order, and deliveries according to agreements." The basic parameters are the state order, the volume of commodity output necessary for the conclusion of delivery contracts, limits of state capital investments, and rent—indicators of the state plan.

"Were there difficulties during the conclusion of the leasing agreement with the lessor?" "Yes," said 65.1 percent of the managers of leasing collectives, while 34.9 percent gave a negative answer.

"On what points connected with the determination of directions in production activity did disagreements arise?" Basically, the answers touched upon the following conditions: mutual obligations of the lessee and the lessor, size of the state order, disposal of output produced in excess of the state order, material and technical provision for production, and the lessor's material responsibility. Some statements critically evaluated the red tape encountered during the coordination of planned calculations. L. Grebenchenko, director of the Gorlovka Furniture Plant, noted the following: "We have performed planned calculations on the basis of real capabilities, but an attempt is made to impose armchair and ministerial calculations on us. Many 'amendments' go against the leasing agreement. The ministry has changed over to leasing, but, at the same time, it does not let the reins out of its hands..."

The following question was especially urgent: "How were the disagreements resolved?" By means of mutual compromise—67.7 percent; in the lessor's favor—29.4 percent; with due regard for the lessee's interests—only 2.9 percent.

The disputes arising during the execution of the leasing agreement are examined by the board of arbitration or a court. How were the disagreements in the process of conclusion of the leasing agreement resolved? To the question "during the resolution of disagreements in the process of conclusion of the leasing agreement was it necessary to resort to the help of 'third parties' (superior, party, and Soviet bodies, the board of arbitration, and so forth)?" 23.7 percent of the managers of leasing enterprises answered positively and 76.3 percent, negatively. Therefore, disagreements in the process of conclusion of an agreement are resolved primarily through compromise.

The leasing agreement gives enterprises the legal and actual possibility to adopt stepped-up, but realistic, plans

and, therefore, to fulfill them. They themselves decide what to produce, for whom, and when. After all, the activity of the lessees' organization is built on principles of independent planning in accordance with the charter and legislation in effect. Only the general meeting of lessees is competent to examine and approve five-year and annual plans for economic and social development submitted by the executive director. For example, the organization of lessees at GPZ-20 [State Bearing Plant-20] independently drafts annual and five-year plans and determines intraplant income distribution normatives. Lessees at GPZ-20 have efficiently worked out a program for lowering intraplant expenditures.

The leasing agreement makes it possible to regulate both the planning and organization of work on plan fulfillment. F. Ivanov, manager of the Minusinskpromstroy Trust, noted the following: "Now the leasing collective builds its projects 'from zero to turnkey.' At the same time, the estimated cost of every project is given out to the leasing section and the date of delivery is determined. This has made it possible to avoid the formerly traditional 'chase' after the fulfillment of the plan for mastering the volume of work, on the basis of which wages were determined according to the normative. It has become unprofitable to undertake only expensive projects, because the final settlement is made after the project's delivery and, consequently, the performance of the entire set of operations. Great interest is manifested in mutual relations of lessees and subcontracting organizations. They tried to reduce the dependence on subcontractors to a minimum, undertaking the fulfillment of a significant number of operations. Without enlisting additional manpower, lessees succeeded in greatly raising output and in doubling labor productivity as compared with 'nonleasing' collectives.

The enterprise that has changed over to leasing must assume obligations for the fulfillment of the state order and orders for the sale of output (jobs and services) according to existing economic relations in a volume not exceeding the corresponding orders accepted for the year during which it is leased out. To the question "has the state order been issued to your organization of lessees?" 85 percent of the enterprise managers gave a positive answer, while 15 percent said that they did not have state orders for 1989. The issue of state orders to leasing enterprises does not rule out the principle of their full economic independence. They can assume obligations for the production and sale of products in addition to the state order. In connection with this the statements by practical workers were well-founded. For example, A. Karagodina, deputy manager of the Privolzhskvodstroy Trust, believes that lessees are now confined to the rigid framework of the state order, which, moreover, is not always provided with financing and the necessary resources. Therefore, the time has come for the lessee to break this restrictive framework and to conclude direct agreements with client enterprises.

In accordance with the normative enactment state orders should not encompass the entire production program.



Meanwhile, in 1989 the proportion of state orders at the studied leasing enterprises made up 51 to 70 percent of the production plan at slightly more than one-tenth of the surveyed enterprises and 91 to 100 percent, at two enterprises. Almost 80 percent of the surveyed enterprises had a state order for 100 percent of the total production volume. Furthermore, two enterprises, which changed over to leasing in 1989, had a state order for more than 100 percent of the production program. Thus, leasing enterprises have the same high proportion of state orders as state enterprises.

According to research data, the significant share of the state order for output is one of the reasons hampering the development of leasing relations. In the opinion of managers of leasing collectives, the optimum share of the state order in the total production volume should average from 60 to 80 percent on condition that material and technical resources are provided fully. Only 18 percent of the managers of leasing enterprises stated that they would prefer to have a state order at the level of 100 percent. Thus, the opinion of managers of leasing collectives basically coincides with normative instructions concerning the placement of state orders in various sectors contained in the Provisional Statute on the Procedure of Formation of State Orders for 1989 and 1990 approved by the USSR Council of Ministers on 25 July 1988.

At the same time, managers of leasing enterprises reported that under the guise of limits the USSR Gosplan and the USSR Gosplan, in addition to the state order, establish obligatory assignments, encompassing 100 or more percent of the output in them. This is where the main hindrance to the development of leasing relations lies.

Research data indicate that enterprises, changing over to contractual leasing relations with the lessor, that is, the management body, have not yet received full independence in the area of production planning. For example, in accordance with the leasing agreement of the Sumy Machine Building Scientific Production Association imeni M. V. Frunze with the lessor the latter presents to the association control figures with the obligation to ensure the "fulfillment of basic plan indicators." The ministry is still left with a powerful lever of effect on the association—centralized distribution of material and technical resources and capital investments for especially important construction.

Enterprise managers believe with good reasons that mutual relations between the lessor and the leasing enterprise should be built according to the principle of equal partners. However, the data obtained have shown that the independence of leasing collectives, for example, in trade organizations of Kuybyshev and Belgorod oblasts, is expressed only in the distribution of collective earnings and determination of the number of workers. Problems of planning economic activity are still solved by trade organizations and trusts. As before, trade turnover volumes are established for leasing enterprises from

above and sanctions for not fulfilling them are stipulated in agreements. Cost-accounting income funds are often withdrawn and centralized and current and individual accounts are not opened.

Utilizing the contractual nature of mutual relations with the management body, the leasing enterprise has the right to determine its duty to ensure the sale of the ordered products and to stipulate its obligations to prepare technical documents, to engage in scientific development, to advertise products, and to study the demand for and information on the state of the market of goods, as well as its liability as to property for not fulfilling the stipulated conditions.

The demand that state orders assigned to leasing enterprises be fully provided with limits for raw materials, supplies, and power resources is fully valid. However, to the question "to what degree (tentatively) are state orders provided with allocations for centrally distributed resources?" only 38 percent of the managers of the surveyed enterprises answered that they are provided fully. It is characteristic that allocations for output are not assigned to leasing enterprises on time. The chief of the economic planning department of the Belgorodmashprom Production Association noted the following: "How is it possible to correctly form the production plan and the financial plan if allocations for output are assigned in March of the planned year instead of September of the preceding year and are amended monthly?" Obviously, when issuing the state order to the leasing enterprise, it is possible to conclude a special agreement with the lessor, in which the amount, procedure, and dates of supply for the enterprise, as well as the sale of finished output by it, can be determined. When unsubstantiated decisions are adopted in the area of formation and placement of state orders, liability as to property should be imposed on the guilty party for an incorrect orientation of leasing enterprises and for the fact that enterprises do not receive, or do not receive on schedule, the necessary material-technical and financial resources. At the same time, according to such an agreement, the leasing enterprise can assume obligations to stimulate the lessor's activity connected with plan fulfillment.

Output produced in excess of the volumes stipulated by the leasing agreement is sold by the leasing enterprise at its discretion. In connection with this in the process of investigation it has become clear whether such products are at the disposal of leasing collectives. A total of 76.7 percent of the managers of the surveyed leasing enterprises answered positively and 23.3 percent, negatively. However, to the question "is output produced in excess of the volumes stipulated by the leasing agreement always sold at your discretion?" 51.6 percent of the enterprise managers answered affirmatively. The remaining answers were distributed as follows: in most cases, 32.3 percent; sometimes, 12.9 percent; never, 3.2 percent. "The collective does not have the right to an independent sale of above-plan output," N. Chertova,

chief of the economic planning department of the Belgorodmolagroprom Production Association, reported. In practice, the right of the leasing enterprise to independently sell products on the socialist market in excess of the established assignments and state orders has not yet become a material incentive for an increase in production volumes.

The responsibility of leasing enterprises for the fulfillment of plans stems from contractual relations. To the question "were there cases of violation of the leasing agreement on the part of the lessor?" 51.2 percent of the managers answered "yes" and 48.8, "no." It is characteristic that terms of the agreement connected with the planning of the activity of leasing enterprises and plan fulfillment are violated most often.

In all cases the lessor should bear material responsibility for not fulfilling its obligations, which have resulted in disruptions in the fulfillment of plans by the lessee, as well as make up for the damage that has been done. At the same time, dates of fulfillment of work and other contractual terms can be changed for the lessee. To the question "how did your organization of lessees react to such violations?" only 10.4 percent of the enterprise managers answered that they submitted the matter to arbitration. In the remaining cases they appealed to the lessor's superior body (10.4 percent) and to party and Soviet bodies (17.2 percent), or did not appeal anywhere (24.1). "For the most part, enterprises resolved problems through their own efforts or sought suppliers independently" (37.9 percent). Leasing enterprises virtually do not apply measures of liability as to property with respect to lessors when they violate contractual terms. Such measures were used by a negligible part of the surveyed enterprises.

The development of contractual relations along the vertical line imposes great responsibility for plan fulfillment on leasing enterprises not only according to the economic contract with the agent, but also according to the leasing agreement with the lessor.

Almost 93 percent of the respondents gave a negative answer when they were asked whether there were cases of violation of contractual terms on their part and only 7 percent of the enterprises noted these kinds of violations. Basically, they were reduced to production irregularity and failures to meet the dates of delivery of finished products.

However, to the question "in these cases did the lessor apply measures of liability as to property with respect to your organization of lessees?" 90 percent of the managers of the surveyed enterprises answered negatively. Lessors applied such measures only to one-tenth of the enterprises. It is interesting that 8.3 percent of the respondents answered that measures of administrative effect (hearing at the ministry board, refusal to solve problems of plan balancing, and so forth) were applied, which does not correspond to the nature of leasing

relations. Such an approach is due to the lack of faith in the efficiency of effect of legal norms.

Enterprise managers have made many suggestions for leasing to "operate" at full power. They include suggestions aimed at perfecting planning—to improve production planning in unity with cost accounting, to coordinate plans with labor organization and wages, to issue the state order for part of the output, and so forth. Realization of the suggestions made is of great importance for improving leasing relations. It is important to ensure in practice the application of measures of material responsibility through arbitration. This would rule out the appeal of the parties to various other bodies to protect the violated rights.

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## PLANNING, PLAN IMPLEMENTATION

### Coexistence of Planned, Market-Oriented Production Advocated

904A0351A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 19, May 90 p 4

[Article by candidates of economic sciences B. Musatov, deputy director, Central Scientific Research Institute of Economics, RSFSR Gosplan, and A. Bedenkov, department director: "What Kind of Market Are We Going Toward?"]

[Text] Having lost their negative ring, the words "market," "market economy" and "market relations" have filled the pages of special and popular publications, they are uttered from lofty podiums, and they have become an inherent part of party and government program documents. It seems as if nothing can keep the economic reform being conducted in the country from becoming truly radical any longer.

Diversity, equality and competitiveness of different forms of ownership, independence of enterprises in making business decisions, and broad action of the laws of a market-oriented economy, and primarily the law of value, are recognized to be the destination in the movement toward a market. Although the role of the state is being significantly restricted, it remains rather substantial, which makes it possible to define the new model of the socialist economy as a planned, market-oriented economy, and the market as a controlled market. Acting through economic levers (taxes, customs duties, subsidies, loan interest rates etc.), setting standards for the behavior of business-managing subjects and utilizing budget assets, the state regulates economic life and assures attainment of the planned goals of economic and social development.

The most critical problem of the day is that of selecting the directions to be followed on the road to a planned market economy. The scale and the time it takes to solve

urgent economic and social problems and the degree and acuity of socioeconomic consequences to the population associated with inevitable growth of prices, the advent of unemployment, change in the nature and conditions of work and so on, will depend on the correctness of this choice. The numerous paths leading to a planned market economy may be summarized in a small number of different variants of transition.

It stands to reason that when it comes to specific proposals and the realities, the boundaries of these variants are not so firm.

**Variant 1. "Liberalization."** It is assumed that the elements of centralized control will be gradually supplanted by market elements. This was precisely what was emphasized over the past few years. There is no need to enumerate all of the mistakes made along this path. What is important is not the mistakes but the approach itself, under which the function of the previously evolved economic mechanism is unavoidably disrupted, but a new one has not been created yet. The crisis in the system of exchange and distribution, which manifested itself last year, did not penetrate too deeply into the production sphere only because sufficiently rigid regulation of the production programs of the enterprises and of material and equipment supply was preserved. The centralized and the market-oriented methods of regulating the economy are integrated systems, and their eclectic combinations are unviable. Such is the experience of perestroika. However, numerous plans are still being proposed in which the market is offered up in truncated form—without the action of the law of value, without the right of enterprises to select their partners, without their possibility for disposing of their own products and financial resources, and without a market of manpower and financial resources.

Moreover, schemes in which the bureaucratic command system is replaced one element at a time are usually so complex that their implementation would hardly be within the means of today's demoralized administrative apparatus, which has also lost some of its professionalism at that.

**Variant 2. "A leap into the market."** In this variant the market is introduced immediately and in all places. Before evaluating this variant we need to agree on what kind of market we need. Obviously we cannot discuss creating a market in general. This is not our goal. We need a system of economic relations which would be capable of solving economic and other problems more effectively than the one we have today. A modern market is such a complex organism that its formation in a new place requires a long time and enormous effort.

The country does not possess the infrastructure for such a market, and there are practically no specialists capable of working in market conditions. The national economy is dominated by monopolism, and the elementary habits of regulating a market economy and protecting the interests of the population and of domestic production

are absent. Who could have predicted that measures to limit growth of wages would elicit the opposite effect, or that introduction of a new rate of exchange for the ruble combined with simplification of the exchange procedures would not solve the problem of raising the competitiveness of domestically produced goods, and instead empty out the domestic market even more while allowing new millionaires to replace their accumulated banknotes with currency of greater stability?

It is no accident that the proponents of "introducing a market by edict" make references to a time of deterioration of the economic situation accompanying the transition to the market, and that as a rule the better their own social protections, the more radical their proposals are.

The events in Poland, where it became possible to balance the market situation from the moment of transition to the new economy at the price of reducing production and consumption, show how difficult the transitional period is. Taking action in our country similar to that taken in Poland would have even graver consequences. There are sufficient reserves in the national economy for raising the scale and effectiveness of production to permit selection of a strategy of perestroika which would ensure a real increase in the standard of living at each stage, thus strengthening the faith of the people in the correctness of the chosen path.

The next variants of transition are based on the conception of a two-sector economy, formulated over half a century ago. In this case a planned or centrally controlled sector and a market sector of the economy in a sense operate in parallel, relying upon their own methods of regulating the national economy which are inherent to them alone. The conception is not at all an abstract—it reflects the realities of economic life. Two sectors of the economy exist even today. Though of course the market sector is deformed, and chased underground.

**Variant 3. "A consumer market."** The idea here is to encompass production, exchange and distribution of consumer blessings and services as broadly as possible with market relations. As before, the basic sectors of the economy will remain under centralized control. In this variant, it seems to us, the consumer sector is still viewed as being unimportant and secondary. But there is no basis for assuming that it is permissible to conduct experiments with it, and consequently with the majority of the population, and not with heavy industry and transportation. It would be more sensible to do precisely the reverse. The negative consequences of implementing this variant would not be as catastrophic as those of the previous variant. However, even here the people will have to make sacrifices to the priorities of the marketplace. Growth of prices on goods and services, including basic necessities, will have to be foreseen.

In the long-range aspect, this variant is not very effective due to the barrier erected between production of the

objects of consumption and the implements of production; this barrier will be an obstacle to growth of capacities for manufacturing goods really needed by the consumer.

**Variant 4. "A rigid framework."** This idea presupposes singling out, from among the entire diversity of goods, those which are of greater and of lesser importance. The latter are then given over to the market. Prices on the most important products are set or regulated by the state. As a consequence a need arises for monitoring their production, exchange and distribution, which should become more rigid as state prices deviate from equilibrium prices. Centralized control of the most important proportions in the national economy is achieved and economic stability and social protection of the population are ensured in this way. The question that remains is whether or not the center is capable of maintaining an effective balance in the national economy without the adjusting influences of the market.

Presence of major disproportions in the country precisely in relation to the most important products provides no grounds for optimism. Even the division of products into those of greater and lesser importance is rather arbitrary, and it may change significantly and quickly, depending on the evolving situation. The ordinary consumer is well acquainted with the situation in which first one and then another item becomes significant—matches, soap, bed linens etc. Under our conditions, this variant would be a direct path to a system of distribution by ration card.

**Variant 5. "A universally accessible market."** A market sector of the economy is formed which encompasses production of all civilian products. Every product is thus manufactured both in a planned and in a market sector. The division into sectors is not consistent with the division of enterprises into forms of ownership. In addition to cooperatives and joint-stock and mixed enterprises, every state enterprise obtains the right to sell a part of its products in the market sector. This path provides a possibility for accomplishing expanded reproduction within the bounds of the market sector.

In the first stages, the market should encompass an insignificant fraction of social production. It should expand as the corresponding infrastructure develops, as market mechanisms are perfected, as experience in regulating the market is accumulated, as equilibrium is achieved in relation to specific commodity markets, as state and market prices converge, and as monopolism is eliminated. Enterprises practicing all forms of ownership participate in the planned sector of the economy, filling orders to deliver products and render services under both mandatory and voluntary conditions. It stands to reason that state orders could be accepted by cooperatives, joint ventures and leased enterprises only on a voluntary basis.

This variant of a transition to an economy of a new type appears the most promising. Its implementation does

not require fundamental dismantling of the entire system of national economic control existing today. The planned sector should provide the needed stability to the economy in the transitional period, and it should support the attained level of production and consumption.

The market sector of the economy, on the other hand, will provide the currently lacking objective assessments by which to select the priority directions for the development of the entire national economy, it will serve as a proving ground for new methods of controlling the economy, and it will expand the possibilities of deepening the country's integration with the world economic system.

The market must perform a stimulatory function in relation to the planned sector, encouraging state enterprises to fulfill planned targets with the least outlays. Released resources could be used advantageously to expand the output of products sold on the basis of free-floating prices. In order to increase its profits, an enterprise will have to develop production—it will not be able to increase profits simply by increasing its prices.

Establishment of a market in the implements of production will impart greater stability to material and equipment support, and it will cause a decline in the stockpiles of commodity and material valuables. The advent of commercial stores will undermine the foundations of speculation, and strengthen the state budget. The value of the ruble will grow higher, and a possibility will appear for transforming it into freely convertible currency.

Implementation of this scheme will require returning to state economic organs the levers they previously lost for influencing the planned sector of the economy and tightening plan discipline, it will require preparation of standards regulating economic activities under market conditions, it will require creation of a market infrastructure, and so on. A money reform and a reform of price setting will obviously be needed. However, it will be harder to persuade the people that the right to sell goods at free-floating prices goes hand in hand with the need for buying goods at these prices. That it would be more useful to devote time to production and not to searching for goods. That it would be better to turn one's money over to a bank than to a speculator, and that a balanced state budget and the absence of emission are blessings that are identically useful to all.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Finance Official Notes 'Equal Conditions' of Enterprise Tax Law

90440545A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 30, Jul 90 Supplement pp 1, 2

[Interview with S. V. Gorbachev, chief of the Main Administration for Improving the Financial and Credit



Mechanism of the USSR Ministry of Finance, by A. Gnidenko: "Everyone Is Equal Before Taxes"]

[Text]

[Gnidenko] And so, one more significant step has been made toward shaping the legal foundation of a market economy: The USSR Supreme Soviet adopted the USSR law "On Taxes on Enterprises, Associations and Organizations." Sergey Vasilyevich, what taxes fall within the scope of action of this legislative act?

[Gorbachev] The law creates the basis for a unified tax system in the country and establishes a number of unionwide taxes: tax on profit, turnover tax, tax on exports and imports, income tax, tax on the kolkhoz wage fund, and the tax on growth of assets intended for consumption. However, in principle other legislative acts of the USSR may foresee other unionwide taxes. The supreme soviets of union and autonomous republics and local soviets of people's deputies are entitled to establish republic and local taxes to be collected on their territories.

[Gnidenko] Does the law ensure creation of equal business conditions, and how is such equality attained?

[Gorbachev] The law consistently pursues the line of creating equal conditions for the activities of all businesses, irrespective of the forms of ownership on which they are based. As an example in the case of taxing profit, this approach is maintained by having a single object of taxation—profit, as well as by applying unified principles of its formation, unified tax rates and a universal system of tax exemptions.

At the same time additional tax exemptions are foreseen for certain kinds of enterprises accounting for the unique features of their activities and creating the possibility for gradual adaptation to market relations.

[Gnidenko] What are the basic profit tax rates?

[Gorbachev] According to the new law, every enterprise (with certain exceptions) will deduct 22 percent of taxable profit into the union budget and up to 23 percent into the budgets of union and autonomous republics and local budgets. This means that all enterprises and organizations must participate equally in forming the union, republic and local budgets, irrespective of their subordination.

[Gnidenko] In what way is protection of the interests of the enterprises ensured?

[Gorbachev] While profit tax collected for the union budget is fixed at a firm rate, the rate of tax collected for republic and local budgets is determined by legislative acts of the union and autonomous republics, as agreed between them. This is why the law limits all profit taxes established by republic and local authorities as well as payments for labor and natural resources to a maximum amount (23 percent).

The entire remaining part of profit remains at the complete disposal of the enterprises, and it is used for the purposes of social and production development. Thus dependable guarantees of social fairness are created for labor collectives, and their economic interests will be protected from outside interference.

[Gnidenko] But the ministries feel it their sacred duty to help weak enterprises at the expense of strong ones.

[Gorbachev] The system of directive redistribution of profit within a sector from labor collectives that are operating well in favor of lagging collectives is being repealed. Financial relations between enterprises and administrative bodies are being converted exclusively to a commercial, contract basis.

[Gnidenko] And what is to become of superprofitable production operations?

[Gorbachev] The tax rate we discussed is applied to profit within twice the average sector profitability. Profit exceeding the maximum profitability level is taxed at higher rates: 80 percent when the maximum level is exceeded by up to 10 points inclusively, and 90 percent when the maximum level is exceeded by more than 10 points.

The procedure for calculating profitability and its level must be established for each sector of the national economy and industry by the USSR Council of Ministers prior to 1 August 1990. We are currently conducting the necessary research in order to select an approach to calculating profitability which would account maximally for features unique to particular sectors, and make it possible to place labor collectives in relatively equal taxation conditions.

[Gnidenko] Nonetheless, isn't a 90-percent tax rate a little high? There is the effect, after all, of "tax pressure"—suppression of activity, initiative and resourcefulness.

[Gorbachev] It must be said right away that collection of superprofits from enterprises at higher rates is a forced and temporary step. This measure is intended exclusively for inflation control. Its purpose is to create an obstacle to growth of prices in a situation where an imbalance exists between supply and demand and where a large number of producers enjoy a monopolistic position. As competition and market instruments of price regulation develop, the higher tax rates will naturally be repealed.

[Gnidenko] Does the law create advantageous conditions for development of the new forms of economic relations?

[Gorbachev] Indubitably. In order to develop leasing relations, payments made to lease state enterprises, less the depreciation deductions (leasing interest) included in such payments, will be subtracted from the total tax.

The law also establishes special exemptions for small enterprises, development of which will create the conditions for healthy market competition in our economy and for dismantling of monopolistic structures. Thus, small enterprises are exempt from tax on profit used to develop production and train personnel. These enterprises also enjoy advantageous tax rates.

An advantageous tax rate of 15 percent is foreseen for the income enterprises obtain from stocks, bonds and other securities belonging to them and from their proportionate participation in joint ventures, which should stimulate creation of joint-stock companies and development of a financial market.

[Gnidenko] What brought about the need for standardizing the part of the wage fund that is treated as production cost when determining taxable profit?

[Gorbachev] The equality of the business conditions enjoyed by all kinds of enterprises depends in many ways on the procedure by which wage expenditures are attributed to production expenses when calculating taxable profit. The rights of labor collectives in determining the assets to be used to pay wages have now been significantly expanded. The state rate system may be used by the enterprises only as a guideline for calculating wages.

Under these conditions, establishing a single procedure to be used by all enterprises to calculate the tax exempt amount of the wage fund, treated as a production expense, is proposed as a means of achieving equality in taxation. This does not mean that the amount of this fund is restricted. It will be formed in an amount established by the enterprise independently. However, the tax exempt part of this fund is subject to standardization. This approach, by the way, also ensures social equality of laborers at all kinds of enterprises irrespective of their form of property ownership.

[Gnidenko] The law foresees introduction of a tax on the consumption fund. What are its basic features?

[Gorbachev] The tax regulating expenditure of assets intended for consumption differs fundamentally from the presently existing tax on growth of the wage fund in that it permits establishment of a close relationship between expenditures in support of consumption on one hand and production growth and economization of material outlays on the other. The unique features of collection of this tax reduce to the following.

While at the present time assets placed into the wage fund and into the material incentive fund with the purpose of paying wages are the object of regulation, according to the new law not only these assets but also payments made from the social development fund earmarked for personal consumption are also an object of regulation. It is foreseen in this case that the enterprises independently determine the tax exempt portion of the consumption fund.

[Gnidenko] How is this to be done?

[Gorbachev] The ratio of the consumption fund to cost-accounting income established in the base year will be the starting point used by every specific enterprise to calculate the tax exempt amount intended for consumption. Considering the natural demand to increase the effectiveness with which live labor is utilized, a correction factor has been established. It reduces the proportion of the consumption fund in cost-accounting income by two percent per year.

The tax exempt amount of the consumption fund is determined by multiplying the cost-accounting income achieved in the period of accountability by the ratio indicated above. The amount by which the actual consumption fund exceeds its tax exempt amount is what is taxed. In this case the principle of progressive taxation of the part of the consumption fund calculated in this manner is observed.

The following rates are established for 1991-1992: 1 ruble when the tax exempt amount of assets is exceeded by one percent inclusively, 1.25 rubles when it is exceeded by from one to two percent inclusively, 1.5 rubles when it is exceeded by from two to three percent inclusively, and two rubles when it is exceeded by over three percent, for every ruble by which this amount is exceeded.

[Gnidenko] What can you say about profit tax benefits which are an inseparable element of the taxation system?

[Gorbachev] The law foresees the possibility for granting three types of tax benefits to enterprises: those reducing the total taxable profit, those reducing the tax rate and those allowing exemptions from the total calculated tax.

Benefits of a social nature occupy an important place in the taxation system. For example outlays enterprises make from their profits to maintain public health facilities, children's preschool institutions and the housing fund will be tax exempt. There will also be tax advantages in relation to outlays associated with implementing nature protection measures, contributions to ecological and environmental improvement funds, and charities.

Benefits encouraging labor collectives to accelerate scientific and technical progress have been foreseen. Thus, 30 percent of outlays on scientific research and experimental design work and on preparation and introduction of new progressive procedures and types of products, made out of profit remaining at the disposal of labor collectives, will be exempt from taxation. A large number of other benefits are foreseen as well.

It should be noted that the list of benefits remains open. The law grants the USSR Council of Ministers, state government bodies of the union and autonomous republics and the local soviets of people's deputies the right to offer additional profit tax advantages, within the limits of the total tax collected for the corresponding budget.

[Gnidenko] What may be the consequences of introducing the tax law to the state budget?

[Gorbachev] It is difficult at the moment to assess with absolute certainty the consequences of adopting the tax law to next year's budget. The final assessment can be made after the process of forming the state plan and budget is completed. But according to our preliminary calculations, under comparable conditions the budget may experience a shortfall of over 40 billion rubles. Therefore the structure and dimensions of state expenditures will have to be fundamentally reviewed when preparing and discussing the draft 1991 budget.

[Gnidenko] Experience has shown that tax reforms never proceed painlessly.

[Gorbachev] Of course, a certain fraction of the enterprises and associations may lose part of the assets of their economic stimulation funds as a result of the present reform. This pertains primarily to those collectives in which the present norm for collections from profit is below the approved tax rate. For example according to the 1990 plan, one out of every nine union-subordinated enterprises is completely exempt from payments into the budget out of profit.

The loss of assets that the enterprises may suffer could be compensated in part by the forthcoming price review. But were we to take the route of compensating for other losses by granting additional tax benefits and differentiating the tax rates, we would return to the procedure for establishing individual payments into the budget which we are presently trying to get away from. An approach of that kind would be unacceptable. Therefore a number of the labor collectives will have to seek additional reserves for increasing their income, taking the form of higher production effectiveness, use of borrowed assets to reequip production operations, enlargement of production volume, and elimination of nonproductive expenditures and losses. Some state enterprises will obviously have to be reorganized, leased, transformed into joint-stock companies or sold to other owners, while the completely hopeless ones will simply have to be shut down.

But in all cases we must fully ensure social protection of the laborers, and create guarantees for their retraining and job placement. This is the orientation of a package of legislative acts currently being drafted.

Half a year remains prior to enactment of the basic provisions of the USSR law "On Taxes on Enterprises, Associations and Organizations." This time must be used productively by every enterprise to make the necessary preparations so that it could adapt completely to the conditions of a market economy.

#### **Bank Directors Comment on Goals of Commercial Bank Association**

904.104084 Moscow SOVETSKAYA TORGOVLYA  
in Russian 31 May 90 p 1

[Comments by I. Akhmedov, director general of the commercial bank association, other directors: "Credits Without Delays"]

[Text] The commercial bank association [AKB] of the USSR was founded only a year ago. It includes 70 out of a total of 280 commercial banks registered in our country, or only 25 percent. There is nothing surprising about it. Commercial banks are a new economic phenomenon and they have neither accumulated enough work experience nor have they been able to coordinate their activities yet. The association is taking first steps in this direction. This is why opinions on their future work by specialists belonging to the association, which they shared with a SOVETSKAYA TORGOVLYA correspondent, are so interesting.

I. Akhmedov, AKB director general: "Many want to know how the AKB works. Voluntary membership in this all-union public organization (the stress is on the word voluntary) is open to all commercial banks, including innovation and cooperative banks. Here, I should give additional explanations. Commercial banks are established based on share ownership by government enterprises and organizations and cooperative banks by cooperatives. Statutory capital of commercial banks must be a minimum of R5 million and that of cooperative banks R500,000. To join the association the bank must pay a R1,000 membership fee and annual membership dues in the same amount.

"What is, in my opinion, the purpose of the AKB? First of all, it is to defend the rights and interests of commercial banks. It is also to coordinate actions of association members, to pool their efforts to fund large, long-term programs and projects and to develop and implement a joint financial and business policy.

"We plan to take part in expert analyses of USSR banking legislation and provide methodological and practical assistance to commercial banks belonging to the association."

S. Yegorov, director general of the Moscow banking union: "Our union includes banks from the 13 oblasts that make up the Moscow economic district, 60 out of a total of 75 banks which exist there. Their statutory capital totals over R5 billion. These are respectable financial resources. Commercial banks are the very organizations that help de-monopolize the economy. On the other hand, it is clear that banks are not yet ready to shift to the market system. The time for them to prove themselves has been too short. Nevertheless, early successes are evident. Commercial banks do business under conditions of heightened risk and concern for their business results.

"What do I want to say by this? All poor or good decisions impact on the bank's profits, and hence on the finances of its employees. Even though commercial banks analyze all economic issues and review all business considerations more thoroughly than state banks, they issue loans without bureaucratic delays. Commercial banks fund business, not plans as state entities often do."

S. Razykov, chairman of the board of the Dushanbe commercial bank "Ekspress-Bank": "Let me say one

thing: few cities have their own commercial banks. As you know, it is a new business for us. But, judging by the way the bank has begun its operations, it is a promising business. The housing problem in this city is very grave. The city ispolkom decided to channel available funds to the 'Housing-93' program. 'Ekspress-Bank' assists in this undertaking. We started on a small scale, by funding a 108-unit apartment house in the Zaravsha district.

"The next step was to fund the construction of a plant producing reinforced concrete. Once it is finished, its output will serve five construction sites. The bank used idle capital amounting to some R6 million to build this enterprise.

"What happens to the remaining funds? They are used to develop municipal services, for individual housing construction and to build a youth center which includes, in addition to an auditorium, stores, a bar and consumer services. Most importantly, these funds are used for the development of the construction industry."

V. Shcherbakov, chairman of the board of the Orenburg "Yuzhnyy Ural" cooperative bank: "Statutory capital at our bank has grown from R500,000 to R2 million in just six months. We are actively building our business.

"Our affairs would be better if we had more independence. But we constantly come against various restrictions. Even though clients flock to us all the time, we have no right to give loans to individuals to build a summer house, for example, or to start a new business. Another problem is that our activities are stifled by excessive taxes. More than half of every ruble we earn in profits goes to the state budget. In addition, we must pay dividends to our shareholders, contribute to various funds, including the insurance fund, and pay wages. In short, only crumbs are left for growth. What freedom of action can there be?"

"Even personnel issues must be coordinated with the State Bank. Let us say, the chairman of the board of a cooperative bank is chosen at a shareholder meeting. Shareholders are the ones who are most acutely concerned that a worthy person is at the helm, since he will be handling their money. However, the candidacy must also be approved by the oblast branch of the State Bank.

"Our cooperative bank uses its funds primarily to develop the production of consumer goods, to build storage facilities for agricultural enterprises and food processing plants and to bolster capacity at retail and purchasing cooperatives."

#### Experts Evaluate Three Possibilities for Price Reform

904A0344A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 6 May 90 p 2

[Article by Yu. Kogtev under "Forecast" rubric: "What Will Become of Us When the Market Begins to Regulate Prices?"]

[Text] The latest subject of a polling of experts carried out at the request of readers of KOMSOMOLSKAYA PRAVDA was the dynamics of prices to be expected in the transition to a market economy. Three models of the development of events have been recognized as most likely. Opinions on them were stated by leading scientists—specialists in the area of price-setting: Prof Yu.V. Borozdin, laboratory head at the Central Economics and Mathematics Institute of the USSR Academy of Sciences; M.I. Gelvanovskiy, sector head at the World Economics and International Relations Institute of the USSR Academy of Sciences; R.S. Grinberg, leading scientific associate of the Economics of the World Socialist System Institute; Prof A.A. Deryabin, sector head at the Economics Institute of the USSR Academy of Sciences; D.F. Shavishvili, department head at the Price Research Institute of the USSR State Committee on Prices; and a group of scientists from the Department for the Mathematical Modeling of Economic Systems at the Computer Center of the USSR Academy of Sciences under the leadership of A.A. Petrov.

1. The Version of the USSR State Committee on Prices. "It consists in the carrying out of a price reform with their theoretical determination for millions of products and services" (Yu.V. Borozdin).

"The transition to the free setting of prices must take place in several stages. In the first stage, the overall size of the rise in retail prices for consumer goods must be equal to the amount of current unsatisfied demand (no less than 165 billion rubles) and compensation to poorer strata of the population. This will come to 350 to 400 billion rubles (at half compensation). In the current year, presumably beginning 1 July, prices should be approximately doubled for food products (for the sum of about 150 billion rubles) and compensation of 110 billion rubles should be paid out. Simultaneously it is necessary to expand the group of industrial goods whose prices may be set freely or by agreement.... In subsequent periods, which will last two to three years, it is necessary to shift gradually to free market pricing" (D.F. Shavishvili).

"The mechanical raising of prices without the market (it will not be possible to establish it immediately) will lead to inflation. With a continuation of shortages, it will be very difficult to cope with this, if indeed it is possible. Compensation will only aggravate the situation, devalue high wages and reduce incentives to receive them.... The growing snowball of inflation will mean that we will return to the direct distribution of products" (M.I. Gelvanovskiy). "This will also immediately disrupt the stability of new prices. Just a few months after the introduction of new price lists, they will have to be revised" (Yu.V. Borozdin). "If the reform of prices is reduced merely to their routine centralized revision, most of the population will experience a further decline in the standard of living without any chances to raise it in the future" (R.S. Grinberg).



**2. Complete Freedom in Setting Prices.** The consequences of this step can be calculated using the model developed by the Computer Center of the USSR Academy of Sciences. The initial conditions include: the complete abolition of centralized planning, the commercialization of the work of the state bank and the transition to the receipt of state income only in the form of tax deductions. The scenario: "An equilibrium will quickly be established in the markets for goods, short-term credit and savings. The production of unmarketable output will cease. There will not be time for the development of mass unemployment during this period (one to two years).... The greatest influence on the subsequent rate of inflation, however, will come from the amount of state consumption. If it exceeds a critical level of 20 to 25 percent of the existing level, then it will not be possible to stop inflation. If state consumption is reduced by a factor of five in one year (which is hardly realistic), then prices will climb rapidly within a year (a minimum of 300 percent). They will then start to decline slowly. Bank interest will increase strongly (to 50 to 60 percent). Compensation to poorer strata of the population will intensify inflation (to 800 percent at half compensation). The conclusion: an abrupt transition to the market from the current state is very risky and must be accompanied by intensive measures to sell state assets (selling off of state property, external loans, and the like)" (A.A. Petrov).

Other researchers draw a similar picture. "After the introduction of total freedom, a galloping inflation will begin, with prices rising by a factor of six to eight within one year to 18 months, whereby there will be colossal confusion and mass abuses.... The social stratification of the society will accelerate abruptly. It will be necessary to break down monopoly structures vigorously and to establish a mechanism for extensive competition. And this is possible only with a fundamental change in property relations and the preferential development of such forms of ownership as collective and private ownership" (Yu.V. Borozdin). "In contrast to Poland, we are less prepared psychologically and materially for life under market conditions. There are widespread leveling prejudices in the society that are exploited by those for whom the failure of the distributive system will mean their own end. The society will be forced to show concern about the survival not of individual strata but of the majority of the population" (R.S. Grinberg). "The attempt to go over immediately to the free setting of prices will lead to unforeseeable economic consequences" (D.F. Shavishvili). "Under free prices, there will inevitably be that same rigid structure of production that leads to inflation and shortages (the hypertrophic development of branches producing the means of production and defense and the inadequate development of the production of consumer goods). Neither shortages nor inflation will disappear before the establishment of an efficient mechanism for the transfer of capital (including foreign capital) from some branches to others. The immediate transition to free price-setting will lead

to galloping inflation, which destroys rather than creates the market" (A.A. Deryabin).

**3. Limited Free Price-Setting.** "The state sets and controls prices only for a limited list of key goods and services (several dozen designations), raising the price level for them by 50 to 60 percent. Market prices will be established for the remaining goods and services. There is compensation for all population groups with per-capita incomes of up to 150 rubles a month. Ration cards for necessities would help to maintain a minimum level of consumption. All output produced above this level must be sold in an extensive network of commercial stores at free market prices" (Yu.V. Borozdin).

"It is expedient to make use of a two-sector model: the plan and stable state prices ensure consumption on the basis of rationing, whereas flexible regulated state prices provide for the rapid formation of market relations. So it would be possible to shift gradually to the establishment of a social market economy of the type seen in the FRG, Sweden or Austria" (M.I. Gelvanovskiy).

**From the editors:** The forecasting center of the Scientific-Production Association is accepting orders from organizations for the carrying out of forecasting surveys. The address: Moscow, 103064, ul. Kazanova, 6. Telephones: 297-30-07, 297-65-09.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Shortcomings in Chemical Industry Noted

904A0359A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 19, May 90 p 9

[Interview with USSR Council of Ministers Bureau on the Chemical and Timber Complex First Deputy Chairman Aleksandr Aleksandrovich Petrov by V. Yakovlev: "A Disengagement Reaction"]

[Text] *Forty three new facilities for the production of medicines, chemical fibers, varnish and cellulose and paper products could not be accommodated in the 13th Five-Year Plan due to the refusal of local authorities. The upsurge of public opinion has led to a freeze on the acquisition of expensive imported equipment in Ufa, Volgograd and Lesogorsk. The national economy has suffered irrecoverable losses of 2.1 billion rubles due to the closing of over 290 operating installations for the production of chemical products in the 12th Five-Year Plan. Is there a way out of this dead end? How is this represented at the USSR Council of Ministers Bureau on the Chemical and Timber Complex? Our correspondent's conversation with the first deputy chairman of the bureau, A.A. Petrov, began with those questions.*

*The interviewee: born in 1942, Russian. Completed the Ivanovo Chemical and Technological Institute. CPSU member. Moved from foreman to general director at the*

*Kursk Synthetic Fibers Plant and the Mogilev Khimvolokno Association. Deputy chairman of the BSSR Council of Ministers since 1985, and first deputy chairman of the USSR Council of Ministers Bureau on the Chemical and Timber Complex since 1988.*

[Petrov] I will cite an example to depict more fully for the readers of PRAVITELSTVENNYY VESTNIK the situation the chemical industry has come to be in.

The country's need for chemical and timber products is growing every day. But whereas we were exporting 200,000 tons of plastics at the start of the current five-year plan, this year we not only had to drop exports, but were forced to procure some 500,000 tons abroad.

[Yakovlev] It is important to know the reasons in order to correct the situation. What are they?

[Petrov] On a general plane we could say it is the business system itself that was created here many years ago. The deformation of money-exchange relations first inevitably disfigures and then destroys the most important directions of scientific, technical and social progress. New reasons have been added to this in recent years: the separation of the process of democratization from the tasks of the economy, the frequently one-sided orientation of public opinion by the press and gaps in legislation.

[Yakovlev] Aleksandr Aleksandrovich! All of these factors play a role, of course. But do the sector itself and the executives of the ministries and the Bureau have enough of a self-critical approach?

[Petrov] You have touched on a very important question. The forced administrative decisions to halt operations in ecologically unfavorable types of production were preceded by a drop in their development, conditioned largely by the pursuit of incorrect economic policies in the sectors of the complex.

Take just the Shchekino method, widely known in the 1970s. The simple mechanism of increasing the wages at a double clip impelled the collectives toward its incorporation. It allowed the enterprises to retain personnel and reduce social tensions without increasing product output. This made life easier for the executives at all levels as well (from the shop chiefs to the ministers), freeing them from the most important functions of modernizing equipment and creating and incorporating new technology.

It was more convenient for everyone to close their eyes to the fact that this was temporary salvation at the expense of future development. And the collective that initiated this method—the Shchekino Azot Production Association—was the first to fall victim to this "strategy." They were the first in the country to have production halted due to ecological problems.

[Yakovlev] The weakness of domestic machine building is also cited as another reason for today's crisis in the chemical industry...

[Petrov] There is much corroboration for that. Whole subsectors are in a grave situation today. The production of viscose fibers and threads, using equipment from the 1950s, has about 100 percent depreciation of the fixed capital. Whence the concentrations of carbon disulfide and hydrogen sulfide many times above the maximum allowable levels at the work stations and in the health-safety zones.

The level of depreciation of the real assets of fixed capital is 66 percent in petrochemistry and 75.9 percent in the medical industry. And deliveries of chemical machine building this year will not exceed the 1974 level.

[Yakovlev] Then a legitimate question. Where were the executives of the chemical ministries looking at one time? Or were the development forecasts for the sector incorrect?

[Petrov] The misfortune is that the failure in development, vividly observed at the level of many individual enterprises and subsectors, was for a long time not reflected in the basic indicators of the ministry. It was camouflaged in the 9th and 10th Five-Year Plans by the increase in output of new plants, which received billions worth of imported equipment. But even they had squandered their temporary advantage by the current five-year plan—there are not enough hard-currency funds for the acquisition of spare parts through imports, while they need not wait for domestic equipment to replace the worn-out unique apparatus.

The re-organization of construction and production planning with the proclaimed "Great Leap Forward" in machine building, along with the attempts at the rapid social re-orientation of the economy, hit the sectors of the chemical and timber complex hardest of all. With the fall in planning discipline, the new construction of the complex became easy sources for hidden financing and material-and-technical supply for the "hot" social and agricultural facilities due to the "unnecessary nature" of their output in resolving the social tasks of the moment for the regions.

[Yakovlev] The local soviets came out ahead?

[Petrov] Nobody won, everybody lost. The environmental-protection facilities suffered most of all. The disorganization of construction at facilities in Bashkiria, Stavropol Kray, Dzerzhinsk, Sayansk and Kursk led to an increase of almost a billion rubles in the stockpiles of uninstalled imported equipment.

The non-utilization of 18.1 billion rubles—a third of the capital investments allocated by the state—by the complex in the 12th Five-Year Plan signifies the loss to the country of over half of the planned increase in chemical production. These forecasts are now being confirmed. The growth rate of production in the chemical and timber complex fell to 1.7 percent in 1989, and production volume did not reach last year's level in the 1st quarter of this year. The fate of individual enterprises has thus befallen the sectors of the complex overall.

[Yakovlev] The economic reforms are sharply altering the points of reference for business management today. How is that affecting the sectors of the chemical industry?

[Petrov] In our opinion, everything is proceeding toward the further discrimination and destruction of the petrochemical and timber sectors. With the country's requirements for plastics to be met 16 percent through imports in 1990, USSR Goskomsen [State Committee on Prices] is planning to set the prices for analogous domestic products below their cost starting in 1991—this, they say, will give the machine builders more of a vested interest in the widespread utilization of these progressive materials. Is there any logic here?

And further, while equipment operates 2,600 hours a year in machine building, it operates 8,000 hours a year in the cellulose and paper sector. The tax system—providing, in the opinion of its creators, "equality for all"—will in fact continue the policy of discrimination against sectors operating using highly depreciated equipment in continuous-production mode under these conditions.

The plans for the 13th Five-Year Plan envisage an increase of non-food consumer goods of 1.6-1.7 times across the country, along with an increase of 49 percent in housing start-ups. All sectors of the complex have meanwhile been allocated a volume of investments that will provide for an increase in production of just 10 percent for the resolution of these tasks. The gap in the growth rates will require an increase of 2.5 times in imports of molded products.

The discrimination against the chemical sectors is also receiving long-term consolidation in the policy of the widespread conversion of state property into leased or joint-stock ownership. Will the workers of the chemical industry want to invest their personal savings in enterprises that the state has doomed to stagnation and unprofitability, while the population is disposed toward their complete elimination?

[Yakovlev] How will you operate under these conditions?

[Petrov] The extraordinary situation demands profoundly thought-out steps from us. They are first and foremost the creation of the economic conditions for the complete emancipation of the creative potential of the complex and the making of collaboration with the machine builders and science more active.

The first brilliant examples of the organization of new and interesting forms of collaboration already exist. Giproplast [State Institute for the Planning of Establishments Producing Plastics and Semifinished Products] and the Stavropolpolimer [Stavropol Polymer] PO [Production Association] have, for example, in conjunction with USSR Minmontazhspestry [Ministry of Installation and Special Construction Work], taken it upon

themselves to augment capacity for the output of polyethylene by 1.5 times. The collective of the Tomsk Petrochemical Combine, working in close collaboration with the USSR Academy of Sciences, is striving for a 20-percent increase in the output of polypropylene, and to raise it to 50 percent by 1992. Work is underway to increase the capacity of existing types of production for polyester fibers by 30-35 percent in Mogilev. It is important to note that all of these programs are based on an intensification of installations that have been in service for 10-15 years.

The leadership of the bureau, in order to see that these examples become typical ones for all enterprises, has submitted a comprehensive program to the central economic bodies for improving the business-management mechanism in the chemical industry.

[Yakovlev] What does that program envisage?

[Petrov] Equal starting opportunities must be created for the activity of all enterprises, depending not only on the form of ownership, but also on the existing level of its utilization. Corrections will be required in the size of the unified tax rates according to discrepancies in the level of depreciation of fixed capital and capacity utilization. These factors should also be taken into account in the transfer of enterprises to leasing.

It is very important for us to restore mutually advantageous relations with the territories. An increase of 20-30 percent in the tax rates paid by the enterprises to the local budgets, with a corresponding reduction in deductions to the all-union budget, would be of help here. Many problems that were created by the enterprises of the complex could be solved with the help of those funds.

The prices for chemical and timber products should without fail take into account the necessity of raising expenditures for the output of chemical machine building and resolving ecological problems.

The pay of executives at the enterprises should also correspond to a greater extent to the scale of production, level of capacity utilization and rate of increase in the output of the most important types of products.

[Yakovlev] The combination of chemical and petrochemical workers in a single ministry has strengthened the tendency toward monopolism. How does the leadership of the bureau intend to fight this phenomenon?

[Petrov] Here is something interesting. This merger has also created better conditions to pursue the breakup of monopolies. Before, several enterprises in a single region were relegated to various ministries, and now their gravitation toward each other has objectively been strengthened. The countervailing influence of the local authorities has also been lessened.

It seems expedient, with regard to the foregoing, to create a new structure for concerns, associations and medium-

and small enterprises that are competing among themselves in all types of chemical and timber products in the next few years.

The adoption of a whole set of measures will make it possible to halt the technological slide of the chemical industry toward the "precipice" and to ensure its new and ecologically advanced ascent—without which it is difficult to imagine the further development of electronics, the radio industry, machine building, medical and consumer technology and many others that our country is in such acute need of today.

## REGIONAL DEVELOPMENT

### Delimitation of Central, Local Economic Authority Examined

#### Importance of Regional Economic Accountability

904A03804 Moscow PRAVITELSTVENNYY VESTNIK in Russian No 20, May 90 p 9

[Article by V. Petrov, chairman of the Perm Oblast Executive Committee: "Through Economic Accountability to Real Power"]

[Text] Under the conditions of implementation of political reform in the country, when real power is transferred to soviets, the establishment of the fundamentals and refinement of the mechanism of management on principles of territorial self-administration become the main problems.

A few words about what we have for the establishment of such a mechanism. There are virtually no theoretical or methodological economic accountability studies in the country. Unfortunately, USSR and RSFSR Gosplans did not become organizing and coordinating bodies for the elaboration and discussion of these problems, limiting themselves to the attachment of scientific centers to the republic's regions.

Under such conditions every oblast, using the research ideas of other regions, "grope" for its approaches. Perm Oblast has also followed such a path. In October 1989 specialists of the Main Economic Planning Administration of the oblast executive committee worked out a draft concept of economic accountability and submitted it for discussion through the oblast newspaper.

What is characteristic of our oblast today? It has a high natural resource potential. At the same time, the economic and, especially, social and ecological efficiency of utilization of this potential is low. A significant gap in the level of social development of individual cities and rayons exists. Over the decades the deformation of the following most important structural ratios has intensified: between capital investments in industrial and social spheres (78:22), capital investments in production and nature protection activity (97:3), and development of

basic components of sectorial complexes—the construction complex (with lagging production of building materials, a weak base, and weak construction and installation capacities), the timber complex (procurement without intensive processing and with forest regeneration), and the agrarian complex (in the zone of risky production with backward processing and storage).

Many of these negative tendencies are the direct consequences of the dictate of the center: Union and republic departments. Under the existing mechanism the true economic power in the oblast is concentrated precisely in their hands. For example, enterprises of Union subordination located in our region account for 81 percent of the annual volume of commodity output, 92 percent of the fixed productive capital, and 57 percent of the industrial and production personnel.

In order to reach a higher level of social development, a search for and a consistent realization of radical decisions are necessary. Regional economic accountability is one of them. We understand it as a socioeconomic form of relations connected with the territorial appropriation of fixed capital and production results and an economically accountable (on the basis of self-administration, self-provision, self-support, and self-financing) provision for the reproduction of the population's vital activity.

The subject of regional economic accountability—a rayon or a city resident, both an individual and a collective (member of a production collective) taxpayer—is a coowner of public funds. As a voter he has the rights to control the use of these funds by local self-administration bodies, to which he has delegated appropriate functions, and to make these bodies accountable. At the same time, as a worker—through the conditions of his own life and provision with social benefits—he should clearly feel the responsibility for the results of his labor (the source of these benefits) and as a coowner, for an efficient utilization of territorial (municipal) funds.

The main task of regional economic accountability can be represented as a totality of tasks of ensuring the relationship between the level of social development of a territory and the efficiency of management on it, that is, the following principle: To live on the earned funds.

The accomplishment of regional economic accountability tasks requires the establishment of an economic and organizational mechanism of managing socioeconomic processes. In our opinion, this is the basic link in the chain of introducing new principles of management on a territory. In our opinion, such a mechanism should consist of three elements. The formation of financial and credit resources is the basic element. First of all, it realizes self-support and self-financing principles. The formation of commodity resources (with the existence of the local order) is the second element. It realizes the self-provision principle. Finally, there is the element of resource management, which realizes the totality of basic regional economic accountability principles and tasks.



What does now prevent the realization of what has been conceived and what should be done in the direction of what has been envisaged? At present there are fundamentally different approaches to one key problem—mutual relations between state enterprises and local soviets. In a number of drafts, as well as in the USSR Law "On General Principles of Local Self-Administration and Local Economy in the USSR," when a region changes over to economic accountability, the existing system of (Union, republic, and local) subordination of enterprises is preserved. At the same time, their differentiated taxation is envisaged: Depending on the subordination the bulk of the deductions from profit is made into the corresponding budget.

In connection with this the question of transferring some enterprises from Union to republic subordination (which took place in the Belorussian SSR) and some, to local subordination is raised. It seems that such an approach contradicts the basic line of radical economic reform for an increase in the independence of enterprises and complicates the taxation system.

It seems that, in order to avoid shifting monopolization from the center to regions and, accordingly, displacing the dictate, the production and economic direction of activity of local soviets should be insignificant (there are approaches with "sovnarkhoz" alternatives) and be reduced to organizational and constituent functions (as state bodies) and an efficient utilization of financial resources. Above-plan profit (income) should remain in the region. The subordination of enterprises can be considered only a temporary and intermediate measure. At this transitional stage it is important to include all enterprises of the investment complex located on the region's territory in the category of local subordination. Even with varying subordination of enterprises the tax policy with regard to all enterprises without exception must be built on a uniform basis.

The distribution of functions among soviets is a fundamental matter. City and rayon soviets are unable to perform all the functions connected with the management of socioeconomic processes on their territory without exception. Therefore, the powers of bodies of local significance should be expanded, keeping in mind that part of the functions (of an interrayon, interoblast, interrepublic, and interstate nature) can be performed only by higher-level, that is, oblast, republic, or union, soviets. At the same time, the lower-level soviet voluntarily delegates to the higher-level soviet functions and rights, whose realization at its level is impossible or inadvisable. For the exercise of the delegated powers the lower-level soviet transfers appropriate resources to the higher-level soviet. The higher-level soviet reports on the use of these resources to the lower-level soviet in accordance with the concluded contract.

And last. A legislative determination of economic and financial foundations and legal guarantees for every (beginning from below) soviet is necessary.

Furthermore, a varying degree of self-administration and independence is granted in the normative acts adopted by the USSR Supreme Soviet and the country's government for some regional levels—the Baltic republics, Belorussia, and Sverdlovsk and Chelyabinsk oblasts. Therefore, it would be extremely important to draw up a draft law on settlement, city, and rayon soviets, where economic and financial foundations and legal guarantees (equal and for each one respectively) would be provided for them, whereas general principles would be set forth in the USSR Fundamental Law.

If this is not done, regional economic accountability and local self-administration for the basic link will be limited to an immaterial change in existing profit (income) distribution normatives, while local soviets, as before, will remain dependent in big and small matters on kolkhozes, enterprises, and departments. It is not likely that soviets will have real power then.

### Changing Roles of Obkoms, Local Soviets

904A0380B Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 20, May 90 p 9

[Interview with A. Anipkin, first secretary of the Volgograd Obkom, by V. Yakovlev: "Calculating Alternatives..."]

[Text] Residents of Volgograd Oblast were some of the first in the country to take a decisive step to government by the people. The oblast party conference resolutely rejected the ossified forms hampering the democratization of work and relations in the party and established the supremacy of the elected body over the apparatus, assigning to it the role of an executive body under the obkom bureau and commissions.

The first session of the Volgograd Oblast Soviet was also unusual. Virtually all oblast residents were invited to participate in its work. On that day "hotlines" transmitted thousands of remarks, proposals, and suggestions to deputies. The session supported the program of the oblast soviet: cessation of administrative-command interference of party bodies in new methods of management, equality of various forms of property, and development of market relations.

Will the leader of the oblast party committee be an ally in this? How does he see the process of transfer of authoritative powers from the party to the hands of soviets on a territory where more than 80 percent of the enterprises are under Union subordination? V. Yakovlev, our special correspondent, met with A. Anipkin, first secretary of the Volgograd Obkom.

[Anipkin] The program of the oblast soviet of people's deputies is also our program. There are many difficulties in its realization and it is easier to overcome them together. I will take only one of them. Until recently 70 to 80 percent of the income created by enterprises went into the Union or republic budget through taxes. But at times it was not simple at all to bring it back. Hence the

social tension and the just indignation of workers—we have earned it, but others use it. The situation is also changing slowly now. The percent of deductions remains as it was. However, time is running out.

Next year the oblast will change over to self-support and self-financing. Calculating different alternatives, we with the oblast soviet have arrived at two paths. It is quite problematical to place part of the enterprises under local subordination, taking into account their specialization and volumes of output, which are very important for the entire country.

The following is a more realistic step: To coordinate with ministries the percent of deductions that would make it possible to form the budget of Volgograd, Volzhsk, and the oblast as a whole not along the vertical line (at first up and then down), but from deductions from all enterprises irrespective of their departmental subordination. We want to do this so that local soviets may become economically more interested in the successful operation of every enterprise. After all, higher deductions will go into the local budget. With this soviets will be able not only to carry out the construction of new housing and make civic improvements on territories, but also to solve many problems of badly-off categories of citizens: pensioners, disabled persons, and students... I assure you that, if our oblast executive committee would have a good social assistance fund, its authority would rise like yeast.

[Correspondent] Aleksandr Mikhaylovich, a triad of power is now emerging in the oblast: the obkom, the oblast soviet of people's deputies, and its executive committee. How is the balance of forces changing here?

[Anipkin] Let us leave pure party affairs and talk about soviets. Now there is two-link power here, as it was conceived: Some at the local level—legislators—and others, executors. However, the following question arises: If subdivisions of the oblast soviet begin to interfere in operational management functions of oblast executive committee departments, the situation will become worse than now. After all, the same chief of the housing operation office still remains below. Therefore, it is very important that people's deputies seriously engage in their long-standing business—local legislation. Long-term planning, organization of the work and training of commission members, and verification of the fulfillment of decisions at sessions are up to the oblast soviet.

Deputies should make the new Soviet economic ideology work in the oblast. The oblast executive committee will continue to do what it also did earlier, but, of course, at a different qualitative level.

[Correspondent] Nevertheless, in your opinion, what are the new functions of the oblast party committee?

[Anipkin] First of all, the development of the oblast's socioeconomic policy. We did not relieve ourselves of this task and will not do this for a long time. [Next], the

fight for people's world outlook, formation of public consciousness of a socialist orientation, and participation in elections, where in a dispute with various sociopolitical organizations and trends we will have to defend our line through deputy party members and to recruit new supporters of the CPSU platform. Here, of course, party committees will need new approaches. Deputies' consciousness can now be influenced only by the versatility, conviction, and persuasiveness of arguments. People will simply not accept anything else now.

### **Uzbek First Secretary on Impact of Reforms on Republic's Economy**

904A0425A Tashkent PRAVDA VOSTOKA in Russian  
27 May 90 pp 1,2

[Report on conference by UzTAG: "Not To Be Taken by Surprise"]

[Text] As already reported, N. I. Ryzhkov, chairman of the USSR Council of Ministers, presented the report "On the Country's Economic Situation and the Concept of Transition to a Regulated Market Economy" at a session of the USSR Supreme Soviet.

The transition to a market economy and the difficulties connected with this require the development of efficient and prompt protective measures. This was discussed at the expanded conference held at the Uzbek SSR Council of Ministers. USSR and Uzbek SSR people's deputies, chairmen of permanent commissions of the republic's supreme legislative body of power, managers of ministries and departments, and senior officials at the Central Committee of the Communist Party of Uzbekistan and the Uzbek SSR Council of Ministers participated in it. I. A. Karimov, president of the Uzbek SSR, first secretary of the Central Committee of the republic's Communist Party, spoke before those gathered.

Publishing the materials of this conference, we would like to draw attention to the complexity and specific nature of the problem for every region, republic, city, and rayon. Today the chief thing lies in the fact that the transition to a market and the processes connected with this, primarily the effect of the transition to a market on the population's living conditions and well-being, should be in the center of attention of both legislative and executive bodies. Therefore, the development of protective measures providing for a set of compensatory and preferential steps ensuring that the interests of all the strata of the republic's population, primarily the part that lives under difficult conditions (needy and large families, disabled people, pensioners, students, and dependents), will be taken into consideration is the basic thing for which the leadership of the Central Committee and the government live.

The conference especially stressed that without the development of these measures and their wide discussion with the people and the aktiv of the republic, oblasts, cities, and rayons and without consideration of the received proposals there will be no decision on the transition to a market under Uzbekistan's conditions. Not permitting panic

moods, now the most important thing is to seriously and profoundly study this matter and to see to it that the maximum number of people take part in its discussion, regardless of where they work and what their occupations are. This matter should be in the center of attention of all elective bodies and deputies at all levels, who are called upon to protect the interests of all those who have entrusted them with the deputy mandate.

The conference noted that the transition to market relations would not be simple. Every republic and oblast has its own problems inherent only in them. Therefore, the so-called "average" indicator is not acceptable for Uzbekistan. For example, in one region per-capita meat consumption is 70 kg, while in another it is 30 kg. The same applies to the population's provision with hospitals and preschool institutions. Or let us take unemployment: In the Fergana Valley there is one indicator, while in Kashka-Darya Oblast there is quite another. It should not be forgotten that behind every indicator there are concrete people. The essence of the protective measures developed by the republic's leadership during the transitional period lies in this.

It was noted that, previously, our republic often played the role of a distinctive "hostage" of various experiments. The notorious slogan "We Will Overtake and Surpass" was first supported in Uzbekistan and the transition to any new economic form again found unconditional approval in the republic. The campaign against alcoholism—we also were in the first ranks there. That is, when some decision had to be made somewhere in Union cabinets, emphasis was placed on the fact that there would be no opposition in Uzbekistan—the people, or to be more precisely, the republic's leaders are obedient here. They will do everything to fulfill or overfulfill all the directives from above ahead of schedule. Therefore, it is a matter of paramount importance to determine now in which direction to develop the republic's economy. It is intolerable that a population of 20 million feels helpless in the stormy flow of future changes. Every person and primarily those to whom the people have entrusted this matter have become concerned about it and have taken fundamental stands to protect their interests.

The attention of those gathered was drawn to informal organizations. With respect to many elements they have the same goal as official authorities. Often, however, talks seem to be conducted quite groundlessly in different languages. What is the goal of the republic's leadership? A rise in the well-being of Uzbekistan's residents, advance of the republic's economy, and strengthening of its authority and political and economic independence. If informal organizations advocate this, then joint and coordinated work is needed here.

We must thoroughly understand that to talk about political independence without having economic independence is utopia. At first it is necessary to raise the people's standard of living and to increase the national

income. Above all, Uzbekistan should become economically independent and capable of protecting and providing for the people living on its territory. The problem should be solved differently: Under a market economy Uzbekistan should be provided on a guaranteed basis with all goods, primarily foodstuffs, so that sovereignty and independence are not in word, but in deed, so that what is processed here remains in the republic, and so that it would be possible to engage people in work, to change the direction and structure of the national economy, to enter into international relations, and to reequip enterprises with modern machinery and advanced technology.

The speaker dwelled in detail on problems of cotton growing. It is well known that the government program envisages the solution of problems of price regulation. In particular, prices of raw cotton are to be raised by 46 percent. It is planned to raise the price per ton of cotton to 1,539 rubles. At first glance this is good. Simultaneously, however, prices of fuel, metal, and building materials are to be raised even more. So, in essence, the situation will not change for the better here. Therefore, the republic's government posed before the USSR Council of Ministers the matter of revising the proposed prices of cotton fiber and, what is most important, of sharply lowering the level of the state order not only for cotton, but also for other key products, for which there is a good demand on the international market.

It is necessary to free new land areas from cotton and to complete the program for the allocation of land plots to the rural, as well as the urban, population.

However, another question also arises. Sovereignty and economic independence imply freedom of actions. As a rule, however, the republic does not know accurately where and how much cotton is shipped abroad.

At the same time, we must not allow a situation in which every oblast, receiving foreign currency for cotton, buys passenger cars, video equipment, and telefaxes, while the most acute problems of public health, education, processing of agricultural products, and so forth are not solved. The government's stand on this matter is as follows: In the republic it is necessary to establish the Uzlegpromsyrye organization, which will act as a mediator between cotton cleaning and light industry enterprises and Union, as well as foreign, partners. This organization will conclude a contract with every cotton plant. In order to sell cotton profitably, it is necessary to carefully study the market and the formed market conditions.

The speaker considered it necessary to establish a committee for foreign trade and foreign relations in Uzbekistan. It will deal with all import and export matters. The establishment of a republic currency fund was considered necessary.

What can be of interest to foreign partners is another major question. In addition to cotton, Uzbekistan can enter the world market with cocoons, silk, and karakul.



The example of Thailand, South Korea, Singapore, Malaysia, and other countries shows what kind of economic market can be achieved with sensible management. It is necessary to establish joint enterprises with foreign firms and to search for other efficient ways of cooperation.

I. A. Karimov paid special attention to the republic's budget. Its shortage amounts to three billion rubles. During the transition to a market economy, first of all, the category of people whose income is below the average subsistence wage will be in a difficult situation. In the republic nine million people belong to it. These are disabled persons, pensioners, and *tekhnikum* and other students. In Uzbekistan pensioners receive 10 rubles less than, on the average, in the country. Now it has not yet been decided how the difference caused by the rise in prices will be compensated for. In accordance with the decision of Union bodies this amount will be minimal under any circumstances. Republics can increase it independently. But from what? Therefore, the elimination of the existing unbalance and shortage of republic, as well as local, budgets should become the main problem during the transitional period. Today a balanced budget is the main condition for solving social and domestic problems and for providing assistance to the population.

The president of the Uzbek SSR dwelled in detail on the problem of unemployment. He expressed valid complaints against economists, the State Committee for Labor, and other bodies, which to this day have not decided who belongs to the unemployed. Hence the lack of coordination in figures, which seriously hampers the creation of a balanced social program for assistance to this category of people. The speaker noted that mothers with many children, who are engaged in a difficult and noble cause, that is, bringing up the rising generation, should receive compensation. The idea was expressed that in rural areas they could be involved in socially useful labor, for example, in work at home nurseries for 15 to 20 children. The previously committed gross error, when the State Committee for Labor and the Ministry of Social Security were united, has now been rectified in Uzbekistan. Now, when departments engaged in the solution of key problems are clearly defined, it is time to determine who has the right to unemployment benefits and to the protection of interests of pensioners in all categories, who need state assistance.

The speaker paid much attention to the law on land and property being drafted in the republic. Uzbekistan's peculiarity lies in the fact that with the high population growth there is not enough land. He cited one example. In 1 year 700 people from Urgutskiy Rayon in Samar-kand Oblast have come to various republic authorities. At times a problem arises on account of 40 or 60 hectares of land, which two *kolkhozes* in no way can divide. This example is very characteristic. The time has come to determine what should be considered state property, what, *kolkhoz* property, and what, private property. Uzbek SSR people's deputies and members of permanent commissions of the republic's Supreme Soviet

should do good work here. Help and assistance in everything should be given to them.

It is necessary to clear the way for those who on the basis of the right to private property would want to buy out and maintain small private enterprises, primarily in sectors directly connected with services for the public (trade, public dining, everyday and municipal services, and so forth). The following problem should also be elaborated: While leaving, let us say, 60 to 70 percent of the value of enterprises (for example, those producing goods for the public) in state ownership, to sell off the remaining part in the form of shares to workers at these enterprises, establishing preferential rates on their investments. In brief, to unleash the initiative of those who through their enterprise would want to earn (one need not fear this) money from work. The chief thing is to prevent some people, who have earned money dishonestly, from "laundering" and living off of it.

An expansion of the sovereignty of republics within the renewed Soviet Federation and their economic independence should not lead to a situation in which the most favored treatment is given to some, while others are under disadvantageous conditions. The following principle should be observed: "Equal among equals." Can the state of affairs when the most advantageous, special treatment is given to the Baltic republics be called normal? Another thing also follows from this: Enterprises and organizations must not be permitted to work for the needs of the market without taking territorial affiliation into account.

In Uzbekistan now the structure of the national economy is such that every enterprise, without taking into account technological sequence and, above all, territorial interests, ships its products outside the republic, although they can also be processed here. They include caprolactam, nitron, and many other things.

The problem of fundamentally transforming the entire national economy from a raw material appendage into an independent, industrially developed complex oriented toward the output of finished products and creating budget revenues for enterprises and the republic's national income has been raised for a long time. Right now it is necessary to give thought to the establishment on Uzbekistan's territory of science intensive production facilities with the application of advanced technologies. It is necessary to most attentively study what is and what is not profitable for Uzbekistan to produce. Owing to the raw material direction of industry, the republic treasury remains meager. After all, only enterprises oriented toward the output of finished products give the turnover tax. Therefore, it turns out that the cotton and textile industry are unprofitable. The cotton cleaning industry also virtually gives nothing to the budget, although it produces products worth more than three billion rubles.

In order that the republic may reach new economic goals, competent personnel are needed. But, owing to such a narrow specialization of industry, where are they to



come from? The fact that only about 7,000 out of Tashkent's 170,000 workers are highly skilled cannot be considered normal. In order to train top-level specialists, it is necessary to send young people to the country's leading enterprises and abroad to learn how to work. Budget and currency resources are needed for this. It is necessary to speed up the development and implementation of the national program for training highly skilled personnel, primarily from among the local population.

And, what is especially important, all this should be elaborated among wide strata of the republic's population. No decisions should be made without taking their counsel and interests into consideration. Today the following questions disturb the population most of all. What kind of an increase in prices is planned, for which goods, and how will this affect the people's standard of living? It can be stated unequivocally: Any increase in retail prices without a discussion by the people cannot be allowed.

I. A. Karimov made a detailed analysis of the republic's economic situation on the eve of the transition to market relations. He noted that the starting conditions in Uzbekistan greatly lag behind the average Union conditions. In order to equalize this situation, the republic needs no less than 10 billion rubles. It is understandable that some all-Union assistance fund will be created. However, it cannot solve the entire acute problem. It is necessary to equalize starting opportunities as soon as possible and to send the lacking resources to Uzbekistan. At the same time, it is necessary to strengthen the republic's economic potential through prices. Markets for the sale of finished products should be expanded. Through their sale it is possible to obtain stable profits, which will be assigned for different social programs.

A market economy and the measures taken by the republic's leadership during the transitional period should contribute to a rise in the well-being of all its residents and will be able to play a protective role during the period of formation. Stepped-up work in all areas—this is what should become the chief thing for every resident of Uzbekistan.

I. A. Karimov, president of the Uzbek SSR, first secretary of the Central Committee of the republic's Communist Party, answered questions by the participants in the conference.

The following took part in the work of the conference: Sh. R. Mirsaidov, chairman of the Uzbek SSR Council of Ministers; A. I. Ikramov, R. A. Popov, and D. Khamidov, secretaries of the Central Committee of the Communist Party of Uzbekistan; B. I. Bugrov, deputy chairman of the Uzbek SSR Supreme Soviet; D. D. Berkov, first deputy chairman of the republic's Council of Ministers; U. R. Umarbekov and B. S. Khamidov, deputy chairmen of the Uzbek SSR Council of Ministers; Kh. Alimova, chairman of the Uzbek Trade-Union Council.

### **Ukraine Chairman Assesses Republic's Economic Problems, Tasks**

90440450A Kiev PRAVDA UKRAINY in Russian  
27 May 90 pp 2-3

[Report by Deputy V. A. Masol, chairman of the UkSSR Council of Ministers: "On the Political, Social, Economic and Ecological Situation of the Ukraine"]

[Text] Respected people's deputies!

A brief report providing the principal economic indicators of the work of the national economy and of individual sectors in the last few years, prepared by the government, was passed out to you yesterday in order to thoroughly acquaint you with the socioeconomic and ecological situation in the republic. I think that it reflects our economic and ecological situation today to a certain degree. Moreover, deputies also have a rather complete impression of it not from reports and references but from life itself.

Comrades! The problems of the republic and of every region cannot be pulled out of the context of all of the sociopolitical and economic processes in the country as a whole. It is precisely the contrast of these processes and their contradictions that are influencing the nature of the assessments of both the political factor and the economic situation.

We have already taken our first steps toward creating the foundation of a modern economic system, as foreseen by the radical economic reform. It must be emphasized that its basic principles are being implemented with difficulty, and under rather complex conditions. The unfavorable factors inherited from the times of stagnation have been compounded by new ones that could only worsen the state of affairs. Primary among them are weakening of planning and production discipline, and interruptions in material and equipment supply and in the work of transportation, owing to greater interethnic strife in certain regions.

Under these conditions the republic's government took steps to intercept the dangerous trends in socioeconomic development.

Our national income increased by 13.3 percent since the beginning of the five-year plan, while the productivity of social labor increased by 16.6 percent. The mean annual rate of growth of industrial production in four years is somewhat higher than for the last five-year plan. While in the first quarter these indicators in the country as a whole decreased by 1-2 percent as compared to 1989, in our republic they have risen. Advances were also made last year in our economy's financial improvement. We were able to make up a 1.8 billion ruble budget deficit, reduce money issue by a third, decrease the number of unprofitable enterprises by a fourth, and obtain two billion rubles in profits in excess of the plan. This trend is persisting into this year as well.

However, a realistic assessment of perestroika processes and comprehensive analysis of the political, economic and spiritual situation in the republic reveal that the fast and profound changes that have encompassed all spheres and all strata of the population have not yet made tangible improvements in the life of laborers. Negative trends in the economy are intensifying.

The grave situation in the national economy is complicated by the people's dissatisfaction, by the decline in discipline and responsibility, by growth of ethnic and religious intolerance and crime, and by sharp aggravation of the ecological situation. All of these are today's realities, and we can't hide from them.

But simply asserting and admitting to these problems won't do anything for us unless we answer at least one question: **What is the main cause of these negative trends?**

If we want to talk about the economy, we would have to point out that this is precisely the area in which we have witnessed the fewest positive results from the innovations that were recently introduced. In particular, tangible changes did not occur in the organization and effectiveness of social production, and new motivations and stimuli for effective labor have not yet appeared. Some decisions made by union organs not only failed to activate economic levers in management, but they also caused a decline in production volume at some enterprises, in the face of unjustified growth of wages. It was essentially because of this that the state lost control over the earnings of laborers, growth of which exceeded the rate of growth of national income by more than twice in the republic as a whole. All of this had an effect on the balance of commodities and money.

Imperfections in certain provisions of the laws on the state enterprise and cooperatives, and inconsistencies in the fight against alcoholism and unearned income, also played a negative role. Making enterprise directors elected officials elicited uncertainty in decision making and led to a decline in labor and production discipline.

Comrades! The difficult and even critical situation in the economy, especially in the social sphere, is also closely associated with causes of greater profundity which even recently we refused to discuss. But today we need to make a fundamental assessment of them as well. I am referring to the **structural orientation** of our **national economy**. I have to say in all frankness that the general proportions of social production, which had been determined for such a long time from the center, are unfortunately still oriented chiefly on production of the implements of production. The fact that their proportion in the total volume of industrial production is now around 72 percent is clear evidence of this.

Subordination of the republic's interests to all-union needs, which is justified in neither economic nor social respects, led to a situation where production developed for dozens of years in the Ukraine simply for the sake of

production. Today almost a third of industrial production is represented by intermediate products, fuel and raw materials. In the meantime the share of products of sectors working directly for the consumer market is steadily decreasing, as is satisfaction of the people's daily needs. Thus between 1970 and 1988 the proportion of light industry decreased from 13 to 11 percent, while the proportion of products in the agroindustrial complex's processing sector decreased during this time from 23 to 17.5 percent. The same negative pattern also exists in woodworking industry and in construction materials industry.

It stands to reason that this structure and these trends took more than just a single year to evolve. They are the product of specific historic and economic conditions, determined primarily by the presence of sizable fuel, mineral and raw material resources, qualified personnel and so on in the Ukraine. These are precisely the factors that were responsible for swift growth of heavy industry.

But such short-sighted policy must be blamed chiefly upon those in the center who in previous years were responsible for determining how production was to be specialized in different regions, and those who transformed the Donets Basin, our "Donetchina," into the "all-union stoke-hole," and the Ukraine, so rich in natural and intellectual resources, into the "granary of ore, cast iron and steel," in behalf of the interests of the all-union national economic complex. We can openly say today that a consumeristic approach, and essentially the monopolism and dictatorship of union ministries and departments, dominated the decisions to locate new production operations of heavy industry in the republic's territory. Enterprises were often built even without the consent of republic organs, without adequate consideration of local needs and ecological consequences.

Given the imbalance of the sector structure and of mutual ties with the center still existing today, it would not at all be easy for us to quickly reorient the economy toward social goals, toward accelerated development of group "B" sectors. And although such a thing needs time and considerable resources, we must pursue this effort more vigorously.

At the same time, comrades, I am deeply convinced—and life itself has already demonstrated—that we will be able to free ourselves of the pressure of the production structure imposed upon us, and impart a greater social orientation to it, only by **consistently asserting state sovereignty of the Ukraine**, by taking the path of **self-management and economic independence**—the economic foundation of any state government.

We need to resolve all of the complex issues associated with this with reliance upon the legal structure of a **new union agreement**, which needs to be drafted as soon as possible, and on the Law on the Principles of Economic Relations of the USSR and the Union and Autonomous

Republics. In this case we will firmly insist upon the following **fundamental principles of the Ukraine's economic sovereignty**.

**First**—its people's exclusive ownership of land, the subsoil, minerals, raw materials, timber, inland and territorial waters, other natural resources and the principal implements of production.

**Second**—independence in determining the economy's structure and the forms and methods of management and control of social production, in conducting taxation policy and in distributing national income.

**Third**—the right of labor collectives and organizations to independently establish economic ties at the inter-republic and international levels, on the basis of equivalent commodity exchange and existing legislation, and with regard for social priorities.

**Fourth**—creation of the legal basis and mechanism for protecting the republic's economic interests and expanding and reinforcing its multilateral ties with union republics and foreign countries.

**Fifth**—pursuit of an independent social and economic policy ensuring revival and preservation of ethnic distinctiveness in economic and cultural development, and further growth of the role of the spiritual sphere in the society's life.

It stands to reason that if these principles are to be implemented in fact, their proclamation is not going to be enough. What we need here, without exaggeration, is a gigantic legislative effort aimed at creating an effective mechanism for the economy's operation under independence, and decentralization of the national economy's management.

The problem of delimiting competency is known to be the focal point of today's political, economic and other contradictions between the federation and the union republics. This is why we believe that the Union agreement I mentioned earlier must be an agreement between equal, free and sovereign republic-states, and not an agreement between the center and the republics. Only they themselves should delegate certain functions to the Union.

What discussion can there be of economic sovereignty of the republic and of all power to its people if just 2 years ago only 6-7 percent of the industrial potential was subordinated directly to the UkSSR Council of Ministers? At the moment, of course, this indicator is around 40 percent. Moreover, all basic sectors are still under central control. And it is understandable to everyone that state sovereignty without economic power, without property relations is but a fiction.

This is why I approve and support the proposal to make the **Law on State Sovereignty of the Ukrainian Soviet Socialist Republic** one of the first decisions adopted by our session. The most important objective of the new

government is to resolve the matter of gradually transferring to the republic all enterprises and organizations located within its territory, except those specified in the agreement with the center.

The **Law on Economic Independence** of the Ukrainian SSR, the draft of which was recently brought up for nationwide discussion, must become another no less important step on the road to our self-control. But without waiting for this law to be enacted, recently the government adopted a decision converting Zaporozhye Oblast to self-financing as early as this year. A similar decision is being prepared for Cherkassy Oblast as well. The idea is to practically work out some new provisions ahead of time, so that by the start of the new year, all regions and the republic as a whole would be operating on the basis of the principles of local self-management.

There can be no doubt that state and economic sovereignty will open up new prospects before the republic in solving priority socioeconomic problems, and provide a possibility for efficiently managing all of the republic's wealth and all of the material resources it produces, chiefly in the interests of its citizens.

Can we really go on condoning the demeaning situation where each day everyone, beginning with the directors of our enterprises and construction projects and ending with the Council of Ministers, has to go around begging in Moscow offices first for allocations and funds, and then for our own material resources, produced in the republic? Such a practice has to come to an end. Everything that is produced in the Ukraine must belong to its people. Our relations with the center and with other republics in relation to redistribution of resources—the products of our labor—need to be organized exclusively on a contract basis, through mutually advantageous commodity exchange.

It is also important for us to have the possibility for pursuing an independent course toward **expansion and reinforcement of foreign economic ties**, toward formation of a new system of cooperation between the Ukraine and foreign countries, on the basis of the republic's own state sovereignty. The results of activities in this sphere would also be utilized primarily in behalf of our people. It is in this direction that the government is working. Soon we will sign an agreement on mutual deliveries of products with Belorussia and Uzbekistan.

Comrades! We feel that a **new mechanism of forming the republic's budget** must be developed in the immediate future. The Ukraine can be truly independent only in the event that it is able to dispose of its own financial resources itself. We are in favor of establishing the same norms for all republics for deduction of assets into the union budget for the financing of state measures. According to the agreement, everything that is left over should belong to the republic, and be used for its social development.

I also think that a sovereign Soviet Ukraine must possess broader rights in pursuing its own **financial, credit and**

**taxation policy.** This will allow us to take fuller account of the particular features of the development of individual regions, and provide economic encouragement to priority development of particular sectors. In addition the republic will have the possibility for creating special specific-purpose funds.

Finally, in order that the mechanism of mutually advantageous economic ties would work reliably, and that we could organize these ties on the basis of the principles of equivalent exchange, it is vitally important for us to have **new wholesale and purchase prices.** If everything were to be left as it is, because of imperfections in these prices and their groundlessness we will simply be unable to ensure independent business management. For example the prices on ore, coal and various raw materials are too low in our republic, while prices on products of the agroindustrial complex are far from equivalent to the labor and resource expenditures, and they differ very strongly in different regions of the country. The financial position of our economy and the social impact which we will enjoy from self-financing will depend to a decisive degree on this.

Prices are our most important issue, because while no one ever made it a policy that production at lower cost should be unprofitable, that is precisely the situation we face today.

Let me turn the attention of the deputies to **one other component of self-management.** Some local administrative organs and certain executives often look at the Law on Economic Independence from only one aspect—expansion of their administrative rights. At the same time they forget that **independence primarily means responsibility to the state,** to the population for its welfare, resolution of all of the problems concerned with the region's development, and satisfaction of the daily needs of citizens.

Let's also remember that the fact itself of adopting laws on sovereignty and independence is not a free ticket to paradise. The laws will only allow us, the residents of the Ukraine, to make full use of the fruits of our labor. Therefore the most important objective is, as always, to increase production, to saturate the market, to satisfy demand and to increase national income as the basis for raising our well-being.

The basis for our point of view is that sovereignty is not a passing fad—it is truly critical to the destiny of the Ukrainian people. This is precisely why the approaches to resolving this issue must be balanced, without excessive emotion, and deeply thought out. We need sovereignty not for the sake of sovereignty, but in order to improve the life of our people, for their economic, social and spiritual development.

Comrade deputies! **Preparation and transition of the national economy to controlled market relations** should be thought of as the most important strategic direction of our efforts to revive the economy. There can be no doubt that this is the sharpest turning point in the development

of our society, one which should place us on the road of effective economics. What is foreseen is that such radicalization of the economic reform would make it possible for a more productive economic mechanism to come into play, and for a balance to be reached in the consumer market.

However, the republic's government feels it to be its duty to protect us against market euphoria and to openly tell the people about **the possible negative social consequences** of such a transition, especially in its initial stage. In particular there can be no doubt that retail prices will grow, that production will decline temporarily, and that consumption of many goods and products by the population will decrease. The need for raising the effectiveness of production and its probable restructuring will force some enterprises into bankruptcy, reduce employment, and lead to some other social losses.

From our point of view we must not sacrifice the welfare of millions of people in behalf of raising the economy's effectiveness. This is why dependable social protection for them must be foreseen in the system of statewide measures. Socially vulnerable categories of the population such as retired persons, Great Patriotic War participants and invalids, students, large families and persons with income below the subsistence minimum require special attention.

I think that our people would meet a legislative act of the republic's Supreme Soviet such as the Law on Social Protection of Citizens of the Ukrainian SSR with approval. It could require the appropriate organs to create republic and regional funds by which to protect our population, and a mechanism of differentiated compensation and protection of the population's income against inflation, growth of prices and so on.

And in general, I would like to say that the transition to the rails of the market economy must be made gradually, in stages, after meticulous preparation for this. Such changes cannot be made by directive order, and specific deadlines cannot be established.

Comrade deputies! In order to turn the national economy in the direction of the individual, and uplift all of our social and cultural sphere under the conditions of economic independence, we must implement our **new strategy of further development of the republic's economy** as quickly as possible.

It is based **primarily on fundamental structural changes** in the national economy, and it foresees its reorientation on priority development of processing, food and light industry, and expansion of the production of consumer goods. The resource and production potential should be directed chiefly into those spheres of activity which help to improve the individual's life.

**Second.** Heavy industry enterprises, especially those containing ecologically harmful production operations, must be developed henceforth exclusively by means of



their **reconstruction and reequipment**, employing low-waste and wasteless production procedures. Investments should be reoriented such that not less than 70 percent of capital investments intended for production purposes would be channeled into this area.

**Third. The fuel and energy complex** requires special attention. Considering that we are satisfying only 70 percent of our fuel demand with our own resources, we need to exert considerable effort in order to keep the output capacities of coal industry at a level which would support primarily our own thermal power engineering and metallurgy, as well as the needs of the population and of consumers in municipal management and consumer services.

The first thing we need to do is carry out a great deal of work to improve the ecological situation in mining cities and towns, and promote their social development. We have drawn up such programs, and we need to carry them out.

We support creation of new, progressive forms of business management and administration in this sector, as well as in ferrous metallurgy. I believe in this case that it would be unsuitable to replace Moscow's ministries with the same kind of administrative structures in Dnepropetrovsk or in Donetsk. We need to work more boldly toward creation of concerns and of leasing and joint-stock collectives. This will promote elimination of bureaucratic dependence of enterprises, and remedy alienation of workers from the implements of production.

The republic's **energy supply** is becoming increasingly more complicated with every year due to restrictions on development of nuclear power engineering. To increase power production capacities, we need to expand the possibilities of thermal power plants, including by using steam-gas generators. But let me emphasize that this requires construction of a new gas pipeline at a cost of several billion rubles.

The output capacities of the republic's **nuclear power plants** will not exceed 16 million kilowatts—they will not attain the 48 million proposed by the center. In this area the government firmly insists that the entire complex of issues concerning the directions of development of power engineering in the Ukraine should be worked out in detail during the writing of the energy program, which is something specialists are working on right now.

**Fourth. Development of metallurgical and chemical industry enterprises** must proceed in our republic on a new technical basis, primarily by means of their reconstruction. We need to adhere strictly to the ecological priorities and hasten introduction of resource-conserving, ecologically clean production procedures and equipment. These sectors must switch to production of modern, progressive products satisfying the needs of the national economy and the people.

I cannot agree with the opinion, forming in some places on an emotional basis rather than on the basis of weighted economic and social calculation, that production of some types of chemicals, especially detergents, polymers, synthetic resins and fibers, must be reduced or completely halted. Were we to close all chemical plants, we could be left even without medicines.

A weighted approach is what is important here. The question of closing particular enterprises must be answered by scientists and specialists following careful expert examination. We must remember that without this important raw material, we cannot seriously discuss increasing production of modern consumer goods and furniture, and in general, improvement of the life of the people.

**Fifth. Deputies know that any social program is based on the use of produced national income.** Therefore any plans for improving our life can be implemented today only through growth and redistribution of this income. Recently the government **changed the existing approaches** in regard to it. Before, the proportion of national income earmarked for creation of productive capacities steadily grew, while the proportion channeled into consumption decreased correspondingly. The result of this mistaken policy is now evident in the state of development of our social sphere.

We—I mean the government which I lead and which has been working for a little more than two years (its composition has hardly changed at all in this time)—subjected such a practice to criticism and began correcting the situation. This can be seen graphically at least from **expenditures in the republic's state budget**. While in 1990 these expenditures were 32 percent higher than in 1985, outlays on social and cultural measures increased by 50 percent, including 35 percent on education and 57 percent on public health. All sources taken together provided 1.4 times more resources for construction of housing.

This fact permits the assertion that we have been able to do away with the residual principle of development of the material and equipment base of the social and cultural sphere. In four years the rate of growth of investments into nonproductive construction twice exceeded growth of productive capital investments. But this is still not enough. I feel that this approach should continue to be the fundamental position of our government, since this sphere requires constant attention.

Comrades! The state of affairs in the economy and in the consumer market cannot be considered without tying it in with the problem of **reinforcing money circulation and finances**, without implementing anti-inflation measures, and without reducing the state budget deficit. Deputies are aware of the complexity of this issue. Let me say frankly that we view its successful resolution as a guarantee of our further economic development and growth of the people's standard of living.

The government feels that this rather complex problem must be solved primarily by accelerating growth of production of goods and services, by widening the channels through which the population's monetary resources are attracted for solution of social problems, and by effective state control of the rate of growth of monetary income.

These issues have been constantly within the government's field of vision. And this year we enjoyed some improvement in the matter of strengthening the financial system. Less new money than planned was placed into circulation in the first quarter, and money issue decreased by a factor of nine in comparison with the same period of last year. But these are only the first steps. Today this work must go on with a larger payoff.

Comrade people's deputies, let me dwell in a little greater detail on three other most painful problems of our development.

If it is true that our economy is in crisis, then it is my deep conviction that the key to the solution to this crisis is **solving the food problem**. This is the foundation upon which we can and must surmount all of the other difficulties of the national economy.

There is nothing new or special in this. After all, in our long history, in many instances our rural areas, while themselves in an impoverished position, were able to contribute to the solution of other serious and important state problems. Even now they are providing us a great deal at their own expense. Laborers in rural areas, which are being left with increasingly fewer people, are suffering from this. And all of our population can sense this, since solution of the food problem is slow. But matters have now come to the limit. The situation as it now stands and fairness require that our relationship to this complex sector, to laborers of the rural areas and to their living and working conditions must be changed fundamentally before the anticipated increase in food production can be achieved.

The question that might immediately arise is this: If the government of the republic, and I personally as its Chairman, understand the essence of the matter in this way, why hadn't this been done earlier, why haven't there been any visible changes for such a long time? What can I say in response? It is in fact true that despite all of our efforts, we have not yet been able to fundamentally rectify the situation, and unfortunately, the increase in agricultural production is absolutely inadequate.

As you know, much has been said recently and decisions have been adopted concerning attention to rural areas and accelerated development of agricultural production, to new forms of its organization, and to improvement of production relations.

Let me say that **comprehensive restructuring programs** have been drawn up and are basically being implemented in the republic and in each oblast in behalf of the

social rebirth of rural towns. These programs foresee extensive development of construction of housing, children's institutions, schools, palaces of culture and baths, gasification and road construction. In this case paved roads will be built to every population center by 1995. This is a realistic objective. Measures have been implemented to increase production of materials and equipment. In particular, bitumen production will be increased from 800,000 tons to 2.5 million.

Although I should note that these efforts are being held back by deficiencies in material and equipment supply. Unfortunately it is precisely in this key area that our hands are tied today. You see, when central organs transferred a number of the functions concerned with the economic activities of the agroindustrial complex to the republics, they kept control of what was most important—**material and equipment supply to the sector**. The planning of deliveries of resources is not coordinated in any way with production volumes. I could even go a step further: Despite all of the eloquent words concerning the debt of the city to the countryside and the assistance that would be provided to it by industry, in the last three or four years deliveries of many of the most important types of materials and equipment to rural areas have not only failed to increase, but they even decreased.

I should note that much is being done in the republic to rectify the situation. However, our possibilities are limited by that same incomplete economic sovereignty. After our persistent demands and my speeches to congresses of USSR people's deputies and to meetings of the union government, deliveries of resources to the countryside improved somewhat this year.

I feel that the republic must enjoy complete independence in these matters, and that after our law on priority development of agriculture is adopted, we will be able to hasten resolution of all of these issues. We need joint effort, we need fundamental reorientation of all of our national economy in favor of accelerated development of the countryside and its productive and social infrastructure. And the government has been working in this direction.

Another important issue we are currently working on is that of how to raise the interest of rural laborers in the end results of their work, how to make them the real masters of not only the land but also the products they manufacture. I completely support the article in the draft law on priority development of the countryside that declares that **peasants have the right of free choice of the forms and types of their labor**.

The legal preconditions for diverse forms of management and equal conditions for all of their types were created with adoption of the USSR laws on land, leasing and ownership. Almost 7,000 kolkhoses and sovkhoses are already assimilating leasing relations, around 700 of them have converted completely to leasing conditions,

more than 2,000 farm cooperatives have been created, and around 900,000 persons have switched to individual and family contracts.

In its practical efforts the government is striving to create the most favorable conditions for successful work and growth of food production in different types of farms. Considering the great shortage of small-sized equipment for peasants and small farms, there are plans for manufacturing 126,000 small tractors and attachments for them at the Kharkov Tractor Plant and 11,000 tractors at the Karpatagromash Plant in the next five-year plan.

It is now important to draw up, with regard for our sovereign rights, the corresponding republic acts which would account for the entire diversity of conditions and features of the Ukrainian countryside.

Comrades! The fastest possible solution of the food problem is a necessity, and it requires significant changes in the approaches to developing agricultural production, intensification of scientific and technical support to the sector, and integrated solution of a number of its most important problems. And this pertains primarily to the use of **our land**, such an important production resource and a priceless treasure of the Ukraine.

At the beginning of the year the republic's government examined a new conception for development of farming based on a soil-protecting contour plowing and land improvement system and a complex of agrotechnical, timber stand improvement and ecological measures directed at protecting soil from destruction and restoring fertility of intensively used soil. The cost of the work, which will encompass 14 million hectares of land, will be four billion rubles, with capital investments paid back in 3-4 years. This is a very important effort, and we are counting on a major payoff in this area.

One of the principal issues interesting and troubling our people today is the **shortage of meat and, in some places, milk**. The bottleneck on which we are persistently working in dairy industry is increasing modern processing capacities, enriching the assortment of dairy products and packaging them for long-term storage and sensible use. Conversion of defense enterprises organizing production of processing and packing equipment for dairy products permitting a storage life of up to 20 days should help us out here. This will make it possible to solve the milk problem in all places in the immediate future.

The most complex issue in this area—the acute shortage of packaging materials—must be solved by the Soviet-Swedish joint venture “Kiev—Tetra ‘Pak’”, which should go into operation next year. This will make it possible to reduce losses of raw material and raise production of different types of dairy and other products.

The meat problem requires a longer time and more effort. It is being solved by strengthening the feed base,

increasing the number of animals and their productivity, and intensifying production. We have drawn up the “Meat” program, in which the “Pork” system, employing English technology, occupies the leading place as the meat sector with the quickest turnover.

Last month the republic's Council of Ministers also examined and approved a conception for development of feed production; this conception imparts a planned and purposeful nature to this effort. In particular the grain production structure is being changed in such a way as to increase the proportion of forage grain from 45 to 60 percent. This will be achieved by making the best use of the potentials of corn, especially in regions of the Forest-Steppe and the Polesye in which its use is not traditional. In accordance with the adopted conception, the gross harvest of corn grain will double (to 14-15 million tons). The “Seed Farming” system has already been organized in a new way for this purpose, joint ventures with other countries are being created, and the complex of machinery for cultivating and harvesting corn is being improved. The “Zarya-Semena” Soviet-Austrian joint venture producing early-ripening corn hybrids, which is headed by twice-awarded Hero of Socialist Labor V. A. Plyutinskiy, is playing a significant role in this effort.

Similar radical measures are being undertaken to increase production of peas, soy and other high-protein crops.

Despite difficulties with material and equipment support, the republic's government is making an effort to fundamentally intensify the work of clearing one of the greatest bottlenecks in the food problem—**food processing and storage**. In our efforts to strengthen the base of processing industry we laid emphasis on building small enterprises in towns and villages—that is, right where agricultural raw materials are produced.

In order to more fully satisfy the population's demand for food, we have activated efforts to create joint ventures with foreign partners, to the extent possible of course. Our goal here was not simply to mechanically increase output capacities, though this is important, but to solve the key problems of producing qualitatively new products and materials with modern procedures, and packaging products for long-term storage. This is one of the most important problems today, and we are investing 20-25 percent of the reserves for increasing food production into it.

A qualitatively new step forward was made in production of **children's food products** on an industrial basis. We are building several production lines for this purpose. Negotiations are under way with companies in the FRG with the objective of buying equipment with which to produce meat and vegetable products packaged in various ways—something which we are not producing at all right now. These measures will make it possible to satisfy the demand of young children for these products within the next few years.

Let's briefly summarize: What are the results of the work that has been done?

Without going into a lot of indicators, let me say that last year we achieved the highest gross agricultural production volume ever. Our food resources increased by almost 20 percent in comparison with 1985.

But the main area where changes are noticeable is the economic effectiveness of production. For the first time in our entire history, in two successive years the kolkhozes and sovkhozes completed their profit plan, which was increased from 6.3 billion rubles in 1985 to 14.3 billion rubles last year. Profitability grew correspondingly from 17 to 32 percent, while the number of unprofitable farms, enterprises and organizations decreased by several orders of magnitude. While a few years ago up to 10 percent of farms were unprofitable, only 9 percent remain so according to last year's results. But this is doubtlessly not yet enough for accelerated social development of the countryside.

**Financial assistance** provided to the sector will also produce a positive result, I think. The indebtedness of the enterprises of sugar, oil-and-fat and other sectors of processing industry and of farms located within the zone of radioactive contamination was written off, and loans totaling 3.5 billion rubles were extended.

According to calculations we will be able to satisfy the population's demand for milk, dairy products and vegetables and significantly improve the supply of fruits and berries in 1992-1993. And if we consider that a sensible level of consumption of eggs, grain products, potatoes, vegetable oil and most types of groats and macaroni articles has already been achieved, in the next 3-5 years we will come quite close to solving this problem in its entirety.

But there is still much to do before this can happen. And most importantly, all of us need to remember that our store shelves can be filled only by increasing the food production volume, and not by attempts to just redistribute food.

Comrade deputies! I am sure that we all recognize that our plans for restructuring the national economy and the important social reference points we are identifying would be practically impossible to achieve and attain without an **effective investment policy**, without improving the activity of the entire construction complex.

This important sphere was subjected to sharp criticism in recent years. Therefore the government implemented a number of specific measures to deal with the problems facing builders. You can get an idea of what has been done specifically in this area from the report handed out to you earlier. I will note only the main points of future efforts in this direction.

From my point of view, what we need to do **first** is to fundamentally shift the accent in capital construction

financing practices. The enterprises and associations should themselves provide a larger part of the financial resources. The proportion they contribute to the total volume of state capital investments needs to be raised to 75-80 percent in the very near future. Besides this, uncompensated budget financing of construction must be gradually replaced by long-term bank loans. But such loans should be granted to clients only if the return from the planned expenditures is adequate and fast. We feel that these measures will help to raise the effectiveness with which capital investments are utilized.

**Second.** We need to find fundamentally new approaches to solving the complex of issues associated with the **housing problem**. Calculations show that for various reasons, our initial plans, which have already been incorporated into the "Housing-2000" program, must be increased by not less than 1.3-1.5 times in almost all oblasts. It is also obvious that such a complex issue will not be resolved by former methods.

How can this be done? The main reserve at our disposal is radical change of investment policy in housing construction, and further **redistribution of capital investments**, resources and output capacities of contracting organizations from the production sphere into housing.

We must expand the **financial base** of housing construction chiefly by utilizing the capital of state, leasing and cooperative enterprises and joint-stock companies, bank credit, and the population's monetary assets.

**Providing housing construction with construction materials**, structures, plumbing and other specialized equipment remains a key factor of this problem. The situation is extremely complex in this area. The government has already implemented specific measures in order to change it for the better. I am referring to the integrated program for development of construction materials and construction industry, which is already being implemented. It costs over 7 billion rubles, and it is to run until 1995. Local authorities must ensure timely fulfillment of all objectives foreseen by the program. This pertains especially to our priority direction—construction of brick plants. In order to equip them, we manufactured, at the republic's enterprises, and installed more than 200 additional brick production lines with a total capacity of almost 300 billion units. Almost two dozen such lines have already been manufactured.

The targets are very challenging. Fulfillment of this important program requires efficient work by our builders and strict surveillance over the progress of its fulfillment on the part of local authorities.

Finally, we need to achieve a sharp turning point in increasing the volume of private housing construction. This requires encouraging the initiative of citizens, eliminating the negative attitude toward the private builder, providing possibilities for obtaining construction materials, and loaning construction equipment, tools and accessories needed in housing construction.



Speaking frankly, I must say that in order to solve this complex problem, we may have to halt construction of some facilities, and extend the deadlines for completing certain projects. Other reserves and effective levers will also have to be sought in order to enervate the whole investment process.

We feel certain that qualitative characteristics can be improved significantly in construction only by introducing the new economic mechanism into this sector. It must be free of the pressure of quantitative indicators, and it must act more effectively upon the deadlines and quality of the work, on the end result.

Special attention should be turned to limiting the front of construction work and reducing unfinished construction. In the last two years, after enterprises were permitted to engage in construction projects on their own, their volume increased by three billion rubles. To improve the state of affairs in this work, we need to rely more on economic methods of influence, and boldly change the economic interrelationships between all participants of the investment process.

Barricades must be erected at all levels against dispersal of allocations and resources, and bureaucratic and local-interest manifestations and ambitions must be curtailed. The demand for investments must be balanced with the output capacities of the construction organizations and material resources, and subordinated to public interests.

Comrades! We completely share the concern of the public at large in regard to aggravation of **ecological problems**, and we favor a fundamental turning point in their solution. A specific program of action pertaining to this issue was approved in the government report given to the last session of the latest convocation of the Ukrainian SSR Supreme Soviet. The republic's Council of Ministers views its implementation as one of the immediate tasks.

I need to openly admit that the ecological situation in the republic is exceptionally complex, and even critical in some areas. Entire regions—the zone affected by the Chernobyl accident, the Donets Basin, the Krivoy Rog Basin, the Dniepr River region, Northern Crimea and the coasts of the Black and Azov seas—have transformed into zones of real ecological disaster. Water sources—the Dniepr, the Dnestr, the Yuzhnyy Bug, the Severskiy Donets and most small rivers and reservoirs—are in a dilapidated state. The land is losing its natural fertility, and soil erosion is progressing.

The principal cause of such a situation is that same excessive centralization of the national economy's control. Union ministries and departments were not good caretakers of Ukrainian land, they did not involve themselves with the culture of production and with integrated use of natural resources as they should have, and they ignored protection of the environment. The nature protection measures that were implemented were unable to retard the progression toward ecological crisis, and all the more so change the situation for the better. They

were only able to retard the trend somewhat. And now the republic and its inhabitants are paying a terrible price for the years of thoughtless, indifferent management of chemical, metallurgical and other monsters.

In the situation as it now stands, a barricade must be raised against the mockery of nature. This will require fundamental restructuring of all nature protection efforts, and maximum observance of ecological principles in our management practices.

First of all in order to improve the state of the environment and safeguard the health of present and future generations, we need to firmly implement **an ecologically justified strategy of further development of the republic's national economy**. We need to assume a decisive course toward limiting development of extracting, resource-, energy- and water-intensive, ecologically dangerous production operations, and make a faster transition to wasteless and low-waste procedures making it possible to manufacture ecologically clean products. We should successively modernize and change the specialization of harmful production operations in all sectors of the national economy, and especially in power engineering, metallurgy, and chemical and petrochemical industry. New industrial construction must begin only if a positive conclusion is reached by state ecological expert examination.

One of the principal directions in nature protection activities is creation and introduction of an effective mechanism for control and stimulation of nature management based on economic levers and legal standards. This mechanism must ensure economic unprofitability of any environmental pollution. Legislation must foresee payment of penalties not only for toxic releases but also for use of natural resources.

In the next few years we plan to implement a number of major scientific and technical programs directed at improving the ecological situation. In particular I am referring to production of unethyated gasolines and low-sulfur diesel fuel, widely introducing new procedures for decontaminating drinking water with ozone, ecologically clean technologies in refrigeration equipment, and biological enzymatic treatment of animal husbandry wastes, recycling domestic and industrial wastes, and so on.

The priority objective is to create a system of ecological monitoring of the republic and its individual regions, one which could become the basis for predicting and modeling ecological situations and negative changes that might occur in case of accidents.

One particular goal of the state program currently being written for protection of the environment and sensible use of natural resources in the republic is to halt practically all release of contaminated wastes into open-air water basins, reduce permissible releases of toxic substances into the atmosphere to the maximally permissible values, and reduce soil erosion and increase soil fertility by widely introducing contour plowing and land

improvement systems. In order to promote expanded reproduction of timber stands, we need to significantly increase the area of the republic's nature preserves. Calculations show that in order to attain the planned goals, we need to reach the level of the developed countries in nature protection expenditures—5 percent of national income. That is, our expenditures need to be increased by at least a factor of 2.5-3.

Comrades! Considering that the matter of **eliminating the consequences of the accident at the Chernobyl Nuclear Power Plant** is to be examined separately in a discussion session, I will dwell only on some aspects of this most painful of our problems. Recently, as you know, the country's Supreme Soviet approved a state program of immediate efforts to eliminate the consequences of this accident. It includes an entire complex of measures that will be implemented in the Ukraine.

The republic's government refused to accept the 35 rem conception, and in response submitted its own proposal, which has been included in this program—moving all people out of the zone of rigid control, where cesium contamination is 15-40 curies per square kilometer.

Considering this, we need to build over 4 million square meters of housing and move over 40,000 persons in 1990-1991, including 15,000 this year. Over 3.6 billion rubles were allocated for elimination of the accident's consequences in this three-year period.

Recently I visited Brusilovskiy Rayon, Zhitomir Oblast, which is where residents of Narodichskiy Rayon are being resettled. I must say that the program for building housing and social and cultural facilities is being fulfilled. The government adopted a decision demanding that resettlement of the residents of 14 population centers of Narodichskiy and Polesskiy rayons must not drag on into 1992. If it makes the effort, the republic has every opportunity for completing this work by as early as next year. This is our duty. But for this, oblast executives currently building housing for resettled people must place this work under their constant control, and organize the work of their builders properly.

A few more decrees on this problem are currently being drafted in support of fulfillment of the USSR Supreme Soviet's decision. These decrees will be adopted this week.

As we know, the question as to the fate of the Chernobyl Nuclear Power Plant is already being decided. Let me simply add that we favor gradual shutdown of all reactors of this station, dependable state support to eliminating the consequences of the disaster at the all-union level, in accordance with decisions of the USSR Supreme Soviet, and assistance and broad interaction with the entire international community in this matter.

Comrades! Everyone knows that **satisfaction of the population's demand for consumer goods and services** is a matter of exceptional importance today. I will not go into everything that we have done in this area—let me

say only that as an example, production of nonfood goods increased by a factor of almost 1.4 in the republic in the span of 4 years, while in 1989 the rate of growth of consumer goods production exceeded the rate of growth of industrial production by a factor of 2.5. Nonetheless this was not enough to stabilize the consumer market and to satisfy the demands of our people. I feel that more decisive measures are needed in this area. In the long run, this issue must be resolved through structural changes in the economy, as I discussed earlier. In particular, industrial production of nonfood goods must increase by almost double by the year 2000 owing to accelerated development of light and local industry. Only in this way will we be able to solve this problem.

Matters concerning the future are very important to us. But **what is being done specifically in the republic today** in order to rectify the situation as quickly as possible? In order to increase consumer goods production the government has developed a complex of interrelated measures which, when implemented, will make it possible to increase the volume of consumer goods production by 10 billion rubles as early as in the current year. This is almost three times more than the average annual increment over the years of the 12th Five-Year Plan. The targets are very challenging, but unfortunately, some oblasts have not yet placed orders with their enterprises for the calculated volumes of nonfood goods. What is especially displeasing is the fact that while the demand for consumer goods is so large, some enterprises are adopting unchallenging plans, and they are not increasing production.

Conversion of more than a hundred enterprises of the defense complex should become a significant reserve for increasing goods production. As early as last year production of goods for the market increased significantly at a number of enterprises. As a result we were able to dramatically increase production of many durable goods—particularly television sets, furniture, electric vacuum cleaners and so on. As an example this year we must increase clothes washer production by 390,000 units. And this is exactly how many were produced in the republic in 1986. We are significantly increasing production of television sets. As a result the availability of these goods in the market will increase this year by a factor of 1.3-1.5 in the republic. We must increase production of refrigerators at the same rate.

Such work must be done everywhere. Given the situation we are now experiencing, every labor collective must seek possibilities and real ways for increasing production of industrial goods. This is especially true of consumer goods.

Comrade deputies! The experience of our contemporary history persuasively demonstrated that solution of the most important economic problems and real advances in the society's development are closely associated with restoration of the people's spiritual strength, with resurrection and **development of national culture**. Therefore I completely share the concern expressed from this

podium in regard to the decrease in the people's intellectual and cultural potential. This is having a negative effect on all spheres of our life. People are troubled by numerous cases of disrespect in mutual relations, by violations of laws and ethical rules, and by manifestations of extremism.

What kind of soil is feeding these negative phenomena? The Ukrainian people have inherited centuries-old cultural traditions, after all. Our ancestors include the builders of Saint Sofia's and the Lavra, and creators of the "Tales of the Distant Past" and the "Song of Prince Igor." We are the descendants of Grigoriy Skovorod, Taras Shevchenko, Ivan Franko, and an entire constellation of philosopher-humanitarians and creative people who made a noticeable contribution the progress of all mankind.

But unfortunately there were also difficult times in the development of Ukrainian culture that cannot be stricken from our history. The periods of the cult of personality and stagnation should be included among them. The machine of Stalinist repressions expunged dozens of names representing the nation's intellectual elite from our cultural heritage. The path of a unitarian state was imposed upon the multiethnic country. Under the influence of economic, social and demographic factors, the use of national languages was constricted. This was interpreted as being supportive of widespread theoretical postulates concerning forced merger of nations. Attempts to objectively analyze these processes were often qualified as nationalism.

It should also be considered that until recent times the government of the republic and our ministries and departments were deprived of the possibility for solving the conceptual problems of education, science and culture. Such things were done in the center, and predominantly by ideological institutions. Republic executive organs were left primarily with administrative and organizational functions. But even here their rights were truncated to a significant extent. In order to create a motion picture studio or found an institution of higher education in the republic for example, a decision was required from the union government. Even the question of opening a new specialization in an existing VUZ requires consent from the center. Examples of this sort of improprieties and of insulting mistrust of republic organs are numerous. I think that we need to change this state of affairs.

Nonetheless, the deformations of the past are being surmounted. In the years of the present five-year plan we built around 900 clubs and palaces of culture and many theaters, concert halls and museums. Erection of a unique television filming and studio complex in Kiev is coming to its conclusion. The Ukrainskiy Videotsentr Association and the Ukrmultfilm Studio have been created. The works of writers that just recently were unknown to the lay reader are being printed. A number of national-cultural societies have been founded.

A month ago the UkSSR Council of Ministers approved the **Integrated Program of the Basic Directions of Cultural Development** in the Ukrainian SSR to the Year 2005. Its goal is to preserve, resurrect and develop Ukrainian culture as an original phenomenon of world civilization, and together with it, the culture of other ethnic groups residing in Ukrainian territory.

The next few years will become a period of active efforts to implement the **Law on Ukrainian as the State Language**. Warding off attempts at forcible and unjustifiably accelerated Ukrainization, the government will take steps to create the conditions for gradual implementation of this law. A **state program for development of Ukrainian and other national languages** in the republic, the drafting of which is now coming to an end, should become the organizing center in this matter.

As a people's deputy of the republic's Supreme Soviet, I feel it suitable for the republic's parliament to adopt the **Law on Public Education, Science and Culture** in the Ukrainian SSR at one of its next sessions. It needs to spell out the principles of state support to development of these important areas, in accordance with the new priorities. Such a law could foresee improvement of the social status of teachers and instructors at VUZes and *tekhnikums*, and of cultural workers.

Our **basic line in national policy** is to preserve and enrich the ethnic originality of the Ukrainian people, and to achieve harmony in interethnic relations and equality of all citizens irrespective of their ethnic origins.

Comrades! Improvement of the **safeguarding of public health** is an object of special concern. Strengthening the material base of this sector and raising it to a qualitatively new level were priority tasks of the government. The proportion of national income and of the budgets of local soviets contributing to its development and assistance of enterprises were increased. During the next five-year plan the volume of capital investments into this sector should increase by a factor of 2-2.5. The **Integrated Program for Further Development of Medical Industry and Providing the Population and Public Health Institutions of the Ukrainian SSR With Medicinal Agents in 1990-1995** was recently written. The plan is to increase production of medicines by a factor of 1.6 in 5 years.

First of all production of many medicines, sorbents and medical equipment with which to treat people who suffered from the Chernobyl disaster will be significantly increased. Capacities producing 100 million disposable syringes will be placed into operation at the Belgorod-Dnestrovsk Medical Articles Plant by as early as this year. The volume of this production will increase here by more than twice.

Production of medical computer-assisted tomographs is being organized in the Kiev Relay and Automation Association jointly with West Germany's Siemens. This

year, 20 such devices are to be manufactured. Production of other complex medical instruments is being organized. This will make it possible to improve medical services.

Personal dosimeters are a very painful problem. To solve it, we have organized their production in Kiev's imeni Korolev and Arsenal associations, at the Etalon Plant and in some cooperatives. We feel that the demand for these instruments will be satisfied by as early as next year.

However, the state of the people's health is determined by more than just the level of medicine. This is precisely why the **Integrated Program for Disease Prevention and Formation of a Healthy Way of Life for the Population** was written at the request of the government and is now being implemented. This is a very far-reaching and important social project, and it must be carried out.

We must understand that the health of every individual is a manifestation of the wealth of the state, and that it is significantly more advantageous to invest money into disease prevention than into treating the sick.

Respected comrade deputies! In my report I did not of course have the possibility to dwell on all problems concerned with our economy's development. But they all require considerable financial and material resources. The latter can be found only on the condition that we raise the effectiveness of the national economy, increase the republic's national income and achieve highly productive labor by one and all. It is for the sake of this that we need to revive the prestige of conscientious labor and professionalism, tighten discipline and organization, and restore order in production. Only this will allow us to achieve a breakthrough in our current social policy, associated with the interests, concerns and aspirations of millions of our people.

The present session of the UkSSR Supreme Soviet is beginning a qualitatively new page in the republic's history. Under the influence of the profound changes that were started by perestroika, our society is embarking upon the road of democracy and true popular sovereignty. Soviet elections, conducted for the first time in many years in an atmosphere of freedom, full expression of popular will and unlimited alternatives, brought new, fresh forces into the arena of political and state activity. And this is very important, since the acuity and complexity of the historic moment we are currently experiencing require the people's elected representatives to display firm will, far-reaching wisdom and non-standard approaches to solving urgent problems. We are now perhaps experiencing the most difficult and significant stage of perestroika—a stage of decisive changes in the economy, of fundamental political reform, and of significant renewal of our federation.

Respected deputies, let me wish you productive work, so that your legislative activities would promote a search

for ways to raise the effectiveness of our economy and improve, on this basis, the life and welfare of the people of the Soviet Ukraine.

Thank you for your attention.

### **Impact of Self-Management on RSFSR Economic Potential Viewed**

904A0368A Moscow SOVETSKAYA ROSSIYA  
in Russian 18 May 90 p 3

[Interview with USSR Academy of Sciences Corresponding Member Aleksandr Grigoryevich Granberg, RSFSR people's deputy, by correspondent V. Ivanitskiy, Novosibirsk: "The Foundation of Sovereignty"]

[Text]

[Ivanitskiy] Aleksandr Grigoryevich, about half a year ago the collective of your Institute of Economics and Organization of Industrial Production of the Siberian Department, USSR Academy of Sciences was instructed by the RSFSR Council of Ministers to develop the conception for the republic's transition to self-management and self-financing.

[Granberg] Since that time we have made an effort to make use of the many years of scientific experience accumulated by the institute. Had this been required of us earlier, we could have created a body of work of this orientation 20 years ago. At that time we wrote a series of monographs, primarily with Siberian applications, on territorial division of labor and measurement of the contributions of different regions to the single national economic complex. Then, in 1981, the Nauka Publishing House published the book "Rossiyskaya Federatsiya v obshchesoyuznoy ekonomike" [The Russian Federation in the All-Union Economy] containing numerous calculations concerned with redistribution relations between the RSFSR and other republics.

The main difficulty of past years was that official ideology did not support such research. It was believed that the models of territorial economic equilibrium that we were working on contradicted the spirit of brotherhood and internationalism of Soviet peoples.

Russian economists are well familiar with the works of Baltic scientists. Direct transfer of the principles embodied in the conceptions developed there would be of little value to us: They do not reflect the specific features of the RSFSR—its size, its national and state organization, differences between regions of the republic, and so on. There are no answers to the most elementary "Russian" questions not only in the conceptions mentioned above but also in the "general principles of restructuring leadership of the economy and the social sphere in union republics on the basis of expansion of their sovereign rights, self-management and self-financing," discussed in spring of last year.



[Ivanitskiy] This unique feature is apparently also the product of the "backbone" economic position maintained by the republic for many long years, is it not?

[Granberg] The Russian Federation's present economic potential is approximately a time and a half greater than that of the remaining 14 republics taken together. In 1988 for example, the RSFSR produced 61.1 percent of the country's national income. Nonetheless it is rather limited in its rights to dispose of its earnings.

The first area in which unfairness reveals itself is in the nonequivalent economic relations with other republics. Understanding the great delicacy of the issue, let me try to demonstrate this with figures. Information on inter-republic ties that had formerly been kept under strict secrecy was published by the USSR Goskomstat [State Committee for Statistics] recently. And therefore they have not yet been analyzed fully. They say the following. Product exports to other republics in 1988 totaled 69.23 billion rubles, while imports totaled 68.96 billion. Almost complete equivalency at first glance. But this picture is arrived at by calculations employing existing internal prices, the incompatibility of which with normal market relations has long been recognized. The picture is completely different when we base calculations on world market prices.

According to data of the USSR Goskomstat the transition to world prices would increase the difference between exports from the RSFSR and imports into it, including foreign exports and imports, by 64.1 billion rubles! The increase just due to prices on petroleum and gas industry products would be 21 billion rubles.

Of course, there is much that is arbitrary about converting to world market prices. This pertains first of all to domestic products that had never been introduced into the world market before—a large part of machine building and light industry products, and so on. Nonetheless the trend is portrayed validly. Our republic exports a great deal of fuel and raw materials at wholesale prices considerably below world prices. We also import a significant quantity of consumer goods at internal prices greatly exceeding world prices.

If we add to this that four-fifths of the country's hard currency is earned by us, the Russians, but that we only receive half of the goods imported on the basis of this currency, it becomes clear what sort of position our republic has found itself in.

Of course, disproportions are typical in general of prices in our country. We cannot ignore the "countersuits" by the other republics. Representatives of Uzbekistan, for example, validly point out that the larger part of turnover tax on cotton articles remains in the republics in which weaving and clothing factories are located. The Baltic republics are constantly emphasizing that they are forced to sell meat and dairy products at below purchase prices. These complaints are valid: If we distribute turnover tax in proportion to labor outlays in different stages of production, then the RSFSR would have to

transfer 3.4 billion rubles to the other republics, plus another [number illegible] billion to compensate for subsidies on food products imported into Russia. However, these compensatory payments are several times less than the sizable losses resulting from unfair wholesale prices.

Nor does the cumbersome structure of production promote our growth. The RSFSR has the lowest proportion of outlays on consumption and on nonproductive construction among the republics. It is precisely on its territory that the larger fraction of the Soviet Union's unfinished construction projects and lengthy construction projects have accumulated. The proportion of capital investments into the nonproductive sphere—that is, into what we refer to as the social, cultural and personal sphere—is 29 percent. For comparison, the figure is 35 percent in Moldavia and 38 percent in Uzbekistan. The principal all-union sectors are also on our territory. But the fuel, electric power, chemical and petrochemical, timber and other sectors are not only the most capital-intensive but they also do the most harm to the natural environment. If we were to adjust this balance as well, and try to express it in financial terms, we would certainly be right in saying that the national welfare is suffering a loss of many tens of billions of rubles.

[Ivanitskiy] How do you view the problem of Russia's economic independence?

[Granberg] Our conception does not of course make any references to any sort of secession of Russia from the USSR. But as long as we have begun an era of honest political and economic relations, we need to approach everything with the same yardstick, including Russia. For this purpose we would need to quickly begin restructuring the existing financial and budget system, create a full-fledged Russian market operating within the union-wide market, and create a qualitatively different system of managing the republic's economy.

Let me begin with finances. The principal flaw of the present system is that expenditures depend little on the economy's effectiveness or on earned income. Transition of the union republics to self-management and self-financing foresees that republic and local budgets are to take deductions for themselves from the income of all enterprises, including those under union subordination. This principle has already been placed into operation in the 1990 state budget. But in what way! For most republics, the proportion of deductions from the profit of union enterprises into the republic budget is 20 percent, while for Estonia it is 84.1 percent (together with other income) and for the RSFSR it is 12 percent. Where is the equality?

Hastening the wholesale price reform is especially important to Russia. This step would take our republic a very long way toward real independence. Introduction of payments for natural resources should become the second immediate measure.

[Ivanitskiy] Aleksandr Grigoryevich, what you are talking about is the path toward independence at the upper, union-republic level. But this is clearly insufficient. The autonomous republics, krays, oblasts and cities of the RSFSR and the enterprises located within its territory certainly need independence as well.

[Granberg] Quite right. While the scheme of republic sovereignty appears simple in words, in reality it is more complex. A systems approach is needed more in the RSFSR than in any other republic.

An approach which provides equal opportunities to all does exist: The population center must become the principal element of the kind of Russian independence we are working toward. Speaking scientifically, the subjects of lower-level management delegate to a higher level their functions, rights and powers, but only those which it is disadvantageous for them to exercise, or ones which are beyond their means. This is the sole approach that can lead us to real independence, to equality of the soviets at all levels.

[Ivanitskiy] Your document also discusses economic regions.

[Granberg] This concerns the Urals, Siberia and the Far East primarily. On one hand organs managing the large regions will take on part of the present tasks of republic administration, while on the other hand they will begin coordinating the actions of autonomous republics, krays and oblasts. In relation to power engineering and transportation for example. They will promote formation of regional consumer goods markets, and establish major contacts with union republics and other countries.

Three types of regions must be distinguished in the republic's transition to self-management and self-financing: The first type are those capable of unsubsidized transition to self-financing, next are those which would require republic and statewide privileges in order to improve the starting conditions, and finally there are regions in which major state programs are being conducted with centralized financing.

[Ivanitskiy] The readers are probably troubled by this question: How long will it take us to gain our independence?

[Granberg] This road must be measured not so much by years as by the quality, the depth of the things that are done. As we know, Russia will begin working under cost accounting conditions on 1 January 1991. But I am concerned by the general unpreparedness, both psychological and economic, for this step.

I am also made apprehensive by the fact that economic scientists in Russia are not being allowed to participate in state activities to any great extent. It is true of course that our advice is sought, and gratitude is shown to us, but we are not invited to make the decisions. By the way, the principle according to which the RSFSR Council of Ministers will deal with alternative plans proposed by

Russian economists is still not clear. If everything is going to be done according to the principle of economic "fruit salad," there wouldn't have been any need to make all that fuss.

It is important to us today not to disregard our own Russian interests in the face of union problems. My opinion is that we need to immediately begin nationwide discussion of the principles of Russian independence. The First Congress of RSFSR People's Deputies will be the starting point for this. This topic should also be brought up for discussion at the next party conference of Russian communists.

[Ivanitskiy] Your concern suggests the idea that nothing has yet been done in the republic in support of the transition to self-management and self-financing. But what about the experiments that were started in Sverdlovsk, Kemerovo, Volgograd, Chelyabinsk and Tomsk oblasts, and what about the models of territorial independence currently being developed?

[Granberg] My fear is that what is happening in the RSFSR is only a simulation of an experiment. I already mentioned that the unique features of our republic require introduction of different models of self-management and self-financing. But this important condition was dropped at the very beginning of the experiment. There are two basic models of financial and budget relations. They differ in how the income of the territories is formed and distributed.

In the first case all taxes are collected by the oblast. It transfers part of the taxes to the republic, while the latter does so to the Union. This is called the "cooking pot" method. The second, which is the "multichannel" method, requires each facility in the territory to maintain financial relations with all levels of the state budget. The experiment was to show which model would be better suited to different types of regions. The collectives of scientists and practical workers that were created in the experimental regions worked hard on their substantiations and calculations. But precisely what we feared might happen did. The Russian Council of Ministers unified everything to the maximum, publishing a series of practical financial decrees "on priority measures for transition...to new economic conditions on the basis of self-management and self-financing." They all differ chiefly in the names of the oblasts and the dimensions of the standards for deducting profits and taxes. A "misfire" occurred only in Kemerovo Oblast. The decree, which had not been coordinated with local soviet and party organs or with worker committees, was repealed. Ultimately a joint decree on experimental development of the economic mechanism of this oblast was adopted by the councils of ministers of the USSR and the RSFSR. But in the others, everything remained almost as it was before, which naturally raises no optimism. Now our hopes rest on the interest the new deputies might show in Russia's independence.

### **Bank Reform, Separate Currency in Moldavia Considered**

904A0437A Kishinev SOVETSKAYA MOLDAVIYA  
in Russian 30 May 90 p 3

[Article by Moldpromstroybank Vice President G. Fur-tune: "The Bank and its Reform"]

[Text] In order for the republic's economic organism to function normally, it must have a suitable banking system and credit policy, and there must be a rational organization of money turnover. Therefore, the course for renewing the sovereignty of the Moldavian SSR within the framework of a renewed federation has placed on the agenda, among other issues, that of the nature of banks and banking as a whole which will exist under the conditions of the republic's socio-economic independence.

Should we have our own separate banking system, hard currency, and monetary unit, or should we somehow adjust what we already have? If the republic is to acquire its own banking system, then how should it be structured, and according to what principles should the republic's banks function? How should their relations with Union banks and banks of other nations be built? What will the republic gain from introducing its own hard currency (and paper money), and what does it stand to lose? What will be the immediate and future effects of this? What place in this case will be occupied by all-union currency, and how should hard currency relations with other republics be created? This is only a small and by no means exhaustive list of the greatest problems.

The USSR banking system and banking activity over the last six decades effectively hold no answer to any of these questions. The systematic pressure of the natural laws of economic life have in the course of many decades led to, on one hand, a state of things in which banks have ceased to have any real influence on the economy.

The decisions of the June (1987) Plenum of the CPSU Central Committee and the 7th Session, 11th Convocation of the USSR Supreme Soviet were a serious step towards radical change in banking. On the basis of these decisions, the single-bank system was replaced by a system of specialized state banks which function according to *khozraschet* [economic accountability] principles. However, on the whole these changes are still too timid; bank reform is developing slowly, accompanied by rather serious negative phenomena, which in essence are holding up both the creation of regulating possibilities within the credit-banking mechanism and that mechanism's emergence on a qualitatively new level. There are several reasons for this.

The foremost reason is the absence of legislation on banks and banking activities, which are still regulated through legally binding acts and normative departmental regulations. No single specialized bank has a set of regulations to this day. The commercial activity of state specialized banks still remains nothing more than a

declaration, since there is still no market for credit resources. This slows down the process of expediently and systematically creating and using credit. The banking system's lower units are then less interested in mobilizing available money from enterprises and the population.

Many principles of the way banks function are not working due to the absence of guarantees that the interests of banks and economic bodies will be protected in their mutual relations. The practice of allowing economic bodies the freedom to choose banks for services and allowing banks independence in deciding the issue of whether to develop a network of branch institutions, in the absence of a so-to-speak code of behavior for banks, has already given rise to economically undesirable effects (reducing the requirements banks make of economic bodies concerning their financial status when they conclude and cash credit agreements, finance capital investments, and supervise the use of wage funds, etc.).

A wide field remains in the banking sphere for subjectivism, departmentalism, and localistic tendencies, in the worst sense of these categories. The nation's banking system is still internally non-democratic and as before is managed on the basis of old *diktat* principles. The role and ability of banks in regulating the money turnover (in ready-cash as well as non-ready cash) has been greatly weakened in the past two years. The administrative reins strictly controlling the issue of money are practically non-existent, and economic regulators are weak. The role of the nation's central bank (USSR Gosbank) and its territorial bodies in these matters has been eroded.

This list could continue. But without launching into a detailed analysis of the results of two years of the new banking reforms, it is worth emphasizing that a product of this reform, together with its new and more attractive features, has also inherited from the old system several features which are by no means always suitable under changing conditions in the life of society. The decisions of July, 1987 on restructuring the management of the economy did not presuppose today's approaches to ownership, the nation's federative structure, and regional *khozraschet*. Today's banking system and banking technology in essence sharply contradict new approaches to these and other elements of the current political and socio-economic reality.

The nation's government has provided that the union republic councils of ministers and the *ispolkoms* [executive committees] of local soviets of people's deputies are responsible for the state of the money turnover in each region and for fulfilling the cash plan. But how can the republic's council of ministers fully carry out this task if all of the reins of credit and emission policy are in Moscow? And in general, no objective information exists so far on the republic's real contribution to stabilizing (or destabilizing) the money turnover and the consumer market. The persistence of this situation threatens to create future complications. Putting the idea of regional

khozraschet in the republic into practice, as an important component in reviving its governmental sovereignty, requires radical changes in the future course and maintenance of banking reform. Choosing a solution to this problem requires a clear position on the question of whether or not to belong to the federation.

As far as we can judge the position of the main sociopolitical forces in the republic, there is a dominant understanding of the republic's vital need to be part of a renewed union. It therefore appears necessary to first examine the banking problem in relation to a variant which envisions the republic's socio-economic independence.

To a large extent the character and specifics of banking in the republic will be determined by its hard currency system. For the last two years the economic community has been actively discussing an issue which has received the name of regional money. There are several points of view, from heated support of this idea to its complete rejection, which is entirely reasonable. In order to make a reliable choice, we must answer with extreme clarity the question, in the name of what, and to what aim is this being done?

If we dismiss attendant conditions, then the aim of regional money is the protection of the regional market (the consumer market as well as markets for means of production) in the face of particular conditions of acute shortages. Let us not forget that the defense of the market is no less an acute problem under conditions of overproduction. Although for us this is not yet a problem.

It is very risky to see in regional hard currency a panacea for all shortages. In such matters oversimplification and excessive optimism are fraught with consequences. In Moldavia (as, incidentally, in other republics) no serious, thorough research exists (at least, as far as the community knows) which would predict how regional money would function. And there is no properly-generalized world experience with problems of hard currency in states with a federative structure—mononational as well as (in particular) multinational ones (Yugoslavia, Czechoslovakia, India, Canada, UAE [United Arab Emirates])—in which there are regional internal markets.

Here I foresee an objection: individual Baltic republics have moved so far forward in developing the idea of regional money that they have already entered into negotiations with some governments on buying equipment for printing their own money or placing an order for money to be printed abroad. We know this from the press. The well-known statements by economists from Estonia—the optimistic words of R. Otsasan as well as the speech by M. Bronshteyn, which was more restrained in its outlook on regional money—were well thought-out arguments on the use of this money.

But the arguments of these economists (and those who share their views) are vulnerable to attack. M. Bronshteyn was forced to admit this himself in his statement, if only in a streamlined form. In reply to the observation

that under conditions of regional money goods will be produced and sold wherever the most will be paid for them, he observed, "Yes, that is the most serious threat facing khozraschet in the republic, and in my opinion it has not been fully appreciated."

There is an entire range of problems of an economic, social, political, and legal nature which does not exclude the possibility of introducing regional (republic) hard currency. But without working on these problems we cannot state affirmatively that adopting hard currency within a federation is expedient and forward-looking. Differing levels of purchasing power for republic and all-union money under conditions of shortages of goods objectively intensify commodity profiteering and also lead to hard-currency profiteering. Moreover, in addition to regular citizens acting individually on the consumer market (first and foremost this applies to the so-called tourism trade), economic bodies (enterprises, kolkhozes, cooperatives) will be engaged in these activities on the market for means of production, along with banks (operating on the hard currency market).

Life will undoubtedly suggest the necessity of supervising the shifts in industrial-technical production and hard currency (republic and all-union). Some kind of controlling apparatus must be created which measures quantity and expenditures for maintenance, although its incorruptibility cannot be guaranteed in the face of shortages! More likely the decision of one republic to introduce its own hard currency will provoke a chain of such decisions in other republics, or at least in a few.

At that time a question will arise: whose hard currency is the ruble, and who will pay for its devaluation? How can the balance of the market be guaranteed when the ruble remains the means of payment (or currency unit)? What should be done with the money in rubles which the republic's population has accumulated in the form of deposits, investments, insurance, or simply home upkeep? What will happen with the payment of pensions that were assigned in different regions? How can units of exchange between republics be created in the absence of a steady exchange rate and when differences exist in purchasing power between the hard currencies in different republics? How can inter-republic and intra-republic units of exchange be introduced for importing goods and assembling goods for export?

Another factor which cannot be ignored is ties, particularly familial ones, among people within the framework of the Union. How will questions be resolved concerning mailings between republics—such as parcels, printed matter, and postal money orders—under conditions of a republic-wide currency?

I am not about to assert that it is impossible to find positive solutions to all of these questions. But I think that we have to find these solutions and make sure that they will truly ensure the protection of the republic's market (but not at the expense of neighbors or other regions of the Soviet Union) as well as create the



conditions for an economic upsurge in the republic's economy and a solution to its social problems. And then we can make a decision about a republic-wide currency.

The republic's socio-economic independence within the framework of a renewed federation should be strengthened by a suitably structured and organized credit-banking system. Several variants are possible. Moldpromstroybank [Moldavian Industrial Construction Bank] considers a two-level banking structure the most advisable for the republic. It would consist of the Moldavian SSR Central Bank and commercial banks (joint-stock and cooperative banks, and other credit institutions) as well as the republic's Savings Banks.

The Central Bank, the republic's head bank, is accountable to a higher body of state authority (the Supreme Soviet), which determines the bank's place in managing the republic's economic life and credit financial system and also determines the functions and rights that are guaranteed in the bank's regulations.

Commercial banks should preferably be developed primarily on the basis of existing specialized banks. This will allow the rhythm of banking service in the national economy to be maintained. It will also prevent failures in transactions and in implementing a turnover of payments within the republic and beyond its borders. It will allow existing bank personnel to be used rationally and will make them participants in and supporters of the changes.

The Moldavian republic bank USSR Promstroybank [Industrial Construction Bank] and its subdivisions have a specific character. This bank essentially serves enterprises and organizations under Union authority, a significant number of which will clearly remain under their present authority for a certain time. Further development of this bank will take the form of its gradual transformation into a state-commercial bank. It is desirable that USSR Promstroybank be among its co-founders.

Two of the republic's other special banks—Zhilsotsbank [Bank for Housing and Municipal Services and Social Development] and Agroprombank [Agro-Industrial Bank], each with its own network of institutions—should be gradually transformed into commercial (state-commercial) banks. Considering that these banks are serving business under republic and local jurisdiction, it is desirable to have among its founders the republic's government and local soviets. At any rate, the opportunity should be provided.

Subdivisions of the USSR Savings Bank within in the Moldavian SSR cannot from a legal point of view be automatically placed under republic jurisdiction, since such a decision is tied to the wishes of the depositors. Legally, they are depositors in a Union bank, and transferring their deposits to another (republic) bank cannot be done automatically, but requires a willingness on the part of the depositors themselves (each one individually), expressed in written form. The republic may found

a Moldavian SSR Savings Bank, as long as it is able to guarantee repayment of deposits upon the first request of depositors. Members of the population will have the opportunity to become depositors in this bank by means of transferring their deposits (partially or fully) from USSR Sberbank [Savings Bank]. The latter's activities should be regulated through the laws of the MSSR and its agreements with USSR Gosbank.

Bearing all of this in mind, in the draft law "On the Socio-Economic Independence of the Moldavian SSR" the problems of banks, credit, and the money turnover could in our opinion have been summarized in a more succinct fashion than in the draft idea. It could be stated in the following way: "The Moldavian SSR has its own credit-banking system, which functions on the basis of all-union hard currency. The activities of USSR banks and other union republic or state banks within the Moldavian SSR are regulated according to its laws."

In order to thoroughly work through ideas on banking, in conformity with the conditions of socio-economic (and political) independence in the republic, it is appropriate to create a group of specialists who are entirely free of other official responsibilities. This group should include scholars specializing in credit-banking and monetary subjects as well as banking specialists from the republic's Academy of Sciences and state university. Specialists from leading scientific centers of the nation and from abroad who are specializing in this area can be invited to join this group or to act as consultants. Among the foremost tasks facing this group should be the process of working out the stages and results of putting this or the other measure into practice when introducing a new banking structure in the Moldavian SSR.

Without speaking about the entire idea, its banking section is so complex and important that it is clearly risky to set the task for the new convocation of the first session of the republic's Supreme Soviet of adopting the corresponding legislation.

#### **Baltic Plan To Protect Markets Through Separate Currencies Criticized**

904A0400A Moscow *EKONOMICHESKIYE NAUKI*  
in Russian No 5, May 90 pp 22-30

[Article by Petr Vladimirovich Ushanov, candidate of economic sciences, senior scientific associate of the USSR Scientific Research Banks Institute: "Regional Money?"; passages in italics as published]

[Text] The laws on regional cost accounting (*khozraschet*) adopted by the supreme soviets of LiSSR, LaSSR, and ESSR and the course of the discussion in the USSR Supreme Soviet of the basic principles involved in the transition of these republics to cost accounting provide vivid evidence that republic (regional) money is not some remote future, as it seemed even recently, but a clearly visible and quite realistic future. Practical preparations are being made in the republics for adoption of local currencies. Specifically, in Estonia a competition is

being held for designs of future bank notes. The Bank of Estonia has been created; its functions would include issuing the republic currency.<sup>1</sup> There is reason to suppose that republic money may reach the national markets of the Baltic republics even during 1990.

It is all the more important to talk about these problems because central economic authorities and the credit and financial system at the union level are still not ready for the advent of regional currencies. For all its undoubted value, exposition in the press of the positions of USSR people's deputies from the Baltic republics<sup>2</sup> cannot replace a thorough scientific analysis of this problem, whose purpose would be to explain what the republic currencies mean for our entire state and to make a model, if it proves possible, of a functional mechanism for them that would be more or less acceptable to all the interested parties.

First, we must understand why the Baltic republics want to adopt regional currencies.

#### Localistic Ambitions or a Need of the Entire Nation?

"The experience of the entire world proves," Prof S. Uosis, doctor of economic sciences, one of the vigorous advocates of regional currency in Lithuania, argues, "that there can be no authentic independence (economic) without an independent (national) monetary system, since without it a sovereign republic (nation or nationality) cannot safeguard itself from the arbitrary action of other republics or the spread of the consequences of the bad work of some through all the republics and from exploitation." Arguing the correctness of this position, which is typical of many Baltic economists, S. Uosis appeals to economic theory: "The money now being used in the country is not what it ought to be either with respect to the functions it performs or with respect to its purpose in the social division of labor of a socialized economy. It serves only for administrative manipulation, for the allocation of stocks, that is, it only serves a barter economy with a pseudomarket."<sup>3</sup> Prof K. Antanavichus, USSR people's deputy and doctor of economic sciences, who concurs in this argument, writes that money is needed as a measure of value and as the basis of the credit and financial system for the transition to cost accounting, for equivalent relations in exchange, and that the present credit and monetary system, which permits excessive financing of the economy, is unable to perform the role of a measure in equivalent relations. "Let us imagine," K. Antanavichus explains, "a cost-accounting republic operating in the context of a market economy that is not protected from other regions operating under the conditions of universal scarcity. The flood of available money will leave it not only without food and other everyday necessities, but also without production resources. Checks, cards, and coupons will have to be introduced. But this substitution will not support full-fledged commodity-money relations; consequently, it will not be possible to overcome inflationary processes destroying the economy."<sup>4</sup>

Summing up what has been said, it would seem that the positions of the Baltic economists can be presented as follows. There are "bad" currencies, which in essence are unable to perform the function of a measure of value, and consequently they do not allow equivalent exchange to be guaranteed. They include the Soviet ruble, which for this reason prevents Lithuania, Latvia, and Estonia from making the transition to authentic cost accounting. But there are also "good" currencies. The regional currencies being proposed for introduction in the Baltic republics can even now be classified among those currencies, since they will be able to perform the function of a measure of value, they will not hinder establishment of equivalent relations on the market, and they will facilitate the transition of the interested republics to real cost accounting. In addition, it is a striking thesis that a nationality can be sovereign only when it possesses its own national circulation of money.

It seems to me that reality is made to appear too simple in this approach. In actuality, money can be neither "bad" nor "good." Whether it is used effectively or ineffectively in an economic mechanism is another matter. The excessively centralized system of administrative management does divorce prices from the actual conditions of economic activity. It is clear that if regional currencies are introduced in the context of the old pricing mechanism, then even the new bank notes issued by the Baltic republics will soon become just as "bad" as the long-suffering Soviet ruble, which has been ruined by administrative methods of pricing and forming the exchange rate.

It should also be noted that the *national circulation of money*, strictly speaking, is not a necessary or sufficient condition of sovereignty. As we know, the small states of Swaziland and Lesotho have national circulation of money. In the former case, the monetary unit is the lilangeni, and in the latter the maloti. The two currencies are issued by the respective central banks. But there is no question here of real state sovereignty, since, which is also well-known, both the politics and economics of each of these countries are very strongly dependent on the Republic of South Africa. At the same time, in Luxembourg, which is an altogether independent and economically developed state, the Belgian franc is used as legal tender alongside the local currency. And this, in spite of the logic of the statements made above, is not by all appearances undermining the country's sovereignty.<sup>5</sup> Hardly anyone will doubt the sovereignty of Great Britain, France, the FRG, but these states, along with other countries in Western Europe, are participants in the European monetary system, within which a single European currency is being proposed for adoption. It is obvious that not a single advanced country of the West would consider it possible to support the project for replacing the national circulation of money with a general European circulation if this would do serious damage to its sovereignty.

The position of the economists from the Baltic republics seems better argued in the case when regional currencies

are regarded as a tool for separation from the adverse aspects of the all-union market. This viewpoint is supported practically everywhere in the Baltic republics. Prof M. Bronshteyn, USSR people's deputy and doctor of economic sciences, spoke specifically about the consequences of the vulnerability of their internal market in a speech he delivered in the soviet: "In our republic (Estonia—P.U.), the relation between the growth of wages and the growth of production of consumer goods has been better than elsewhere: we even experienced a period in which the production of consumer goods was a bit in the lead. We have been able to hold back the growth of wages to some extent, because their level in our republic is relatively high, and that means that these issues are not so acute in the republic. But what do we get for our trouble? A sharp increase in the number of "interloping purchasers." Whereas until recently we still had soap, laundry detergent, and a variety of knitwear, all this has now begun to disappear because of the sudden influx of people from other regions of the country."<sup>6</sup> A similar situation has also come about in Lithuania and Latvia.<sup>7</sup>

At the same time, one cannot fail to agree with the argument already stated in the press to the effect that regional currencies are not in and of themselves able to protect internal markets from the washing away of scarce commodities. There is eloquent evidence of this in the experience of various countries, including Poland, the GDR, and Czechoslovakia, which, even though they had their own respective currency, were forced to erect tariff barriers to protect their consumers. If we recall that in most countries, in Hungary, for example, no "battle" is waged against the influx of "interloping purchasers" (on the contrary, they are welcome guests), one reaches the final conclusion: The problem does not lie in the name or color given to the bank notes in circulation on the territory of a republic, but in the balanced state of its internal market. Which means, as in fact has been provided in the legislative acts on the basic principles of the cost accounting of the Baltic republics, an economic mechanism has to be set up in which prices would be set so as to take into account operation of the law of supply and demand.

There is also another aspect of the problem of regional currencies. At the present time, the deficit of the USSR state budget is in essence generating an excessive flow of money into circulation. But if the growth of the money supply exceeds the growth of the supply of commodities, then the legitimate rights of prior participants on the market to the social product, expressed by the money they have accumulated, begin to be infringed to the benefit of those who possess the new money. Thus, the revenues of the republics from full cost accounting itself could in practice be easily redistributed by the center using a note-issuing maneuver.<sup>8</sup>

But it should be borne in mind that the only basic mechanism for issuing money is that which is based on issue by the treasury or on the central bank's accounting of the obligations of the state debt. World experience

indicates this. For instance, at the end of the eighties government obligations represented more than 75 percent of the assets of the Bank of England, more than 65 percent of the Bank of Italy, and 83 percent of the U.S. Federal Reserve system.<sup>9</sup> There is no reason to suppose that the state debt in the Baltic republics will fail to have a decisive influence on the growth of their national money supply. The economy of the Baltic republics is in need of sizable investments, just like the economy of the other republics of the USSR. Modernization, judging by the experience of many countries, inevitably causes a growth of the state debt and of the money supply, and at the same time a rise of inflation.

Consequently, any regional money would still experience the impact of an unstable economy. Ultimately, this means that the proposal to eliminate the voluntarism of the center and of republic authorities by introducing a local monetary system<sup>10</sup> (voluntarism here means the right of the state to issue a supply of money on the basis of its obligations) can be carried out only half-way: "the voluntarism of the center" will be replaced by "the voluntarism of republic authorities."

If the question is raised of issuing the supply of money subject to guidance by the reasonable limits of the needs of society, then this problem can be solved just as effectively at the level of the entire Soviet Union. At least, laws are being drafted even now on banks and USSR Gosbank under which the central bank would be transferred to the direct authority of the USSR Supreme Soviet. In accordance with those same laws, the Supreme Soviet would determine the limits of use of the resources of Gosbank to issue credit to cover the state's financial needs. Which means that still *the basic goal of adopting regional currencies is to make organization of the production process separate and to consume the product realized within the limits of republic territories.*

Proposals and forecasts in the context of perestroika that have not been thought through to the end are extremely dangerous. This is especially true of a problem like regional currencies, which is so complicated from both the economic and political standpoints. It is quite obvious that at the present moment emotions related to this issue are predominating over detailed justifications. That is the reason why arguments on behalf of regional currencies are unable to fully convince opponents. Meanwhile, the population of the Baltic republics is mostly convinced that having their own currency is a necessary radical measure which will make it possible in a single stroke to solve all the problems that have accumulated in the republics. There is no question that this is an illusion whose sole benefit might be that it could play the role of a stimulus for speeding up radical transformations at the union level. It seems, however, that it will hardly be possible to overcome democratically at the present time the movements that exist toward national separation of the Baltic republics. That is why *it is indispensable to develop a model for the functioning of regional currencies in the system of the USSR's circulation of money.*

### A Possible Functional Model

There have been examples in history when regional currencies have circulated. Specifically, there were national money issues specifically for certain provinces of the Russian Empire. For example, in the 2d half of the 18th century so-called "livonians" were in circulation in the Baltic republics, dinars and zlotys were in circulation in the 1st half of the 19th century in Georgia and Poland, respectively, and pennies were in circulation in the 2d half of the 19th century in Finland.<sup>11</sup> What was specific about these currencies was that their circulation was limited to the national territory, whereas the general currency of the state was accepted everywhere. We know of present-day regional currencies that are in circulation in the same way—the Scottish pound sterling, which is in circulation within the limits of the system of Great Britain's circulation of money.

The advocates of regional currencies in the Baltics take a different approach to this question. As they see it, each Baltic republic must introduce its own currency (some of them, to be sure, suppose that the republics could join together in issuing bank notes). But in any case the ruble will no longer figure as the monetary unit of the entire state in this region. One of two statuses has been prepared for it: either transformation into an accounting unit like the SDR, ECU or the transfer ruble, or to become the currency of the RSFSR, a kind of "dollar" for the republics of the Soviet Union.

In principle, both alternatives have the right to exist. However, in the opinion of the Baltic economists, the ruble is unable to become the reserve currency for the republics of the Soviet Union and, following the logic of their arguments, it will be able to claim only the role of a "currency bundle for determining the coefficient of the exchange rate for exchange between currencies and to maintain equilibrium in the balance of payments...."<sup>12</sup> Let us try to imagine the situation on the market should this conception be realized.

First of all, it is obvious that in the proposed model of the circulation of money the ruble must be not only an accounting unit between republics, but also a currency which as a minimum would serve both the consumer market and wholesale market of the RSFSR.<sup>13</sup> In addition, by its nature an interrepublic accounting unit cannot relieve a republic of the Soviet Union of settlements in some other currencies. The reason for this is that the exchange of goods for goods (that is, barter deals) would hamper integrative relations. Both importers and exporters of products would suffer equally in this case. Production integration would in general prove to be difficult to bring about. There would still need to be credits and ultimately money settlement as well.

Taking into account the need for money (and at the same time the danger that some republic monetary unit might expand), the convertible currencies of the West could in principle be used on the interrepublic market, as is now done in foreign economic relations among certain socialist countries. But to do this one must have a surplus of resources in such currencies. There is good reason to ask where they would come from.

There is a certain potential for obtaining foreign exchange in those republics which possess a strong raw materials potential. What resources will the Baltic republics be able to rely on at present? Agriculture, precision machinebuilding, and electronic machinebuilding are better developed in that region than the average for the Union. Although in a number of cases the products of those branches exceed in quality the average nationwide level, they fall manifestly short of world standards and accordingly enjoy limited demand on the world market. Consequently, we are mainly referring not to foreign exchange that has been earned, but to Western credits. But in our view it is more advisable to use the latter to acquire from that same West goods which are scarce and then sell them in the republics for local currencies.

To develop their own industry, the Baltic republics must have deliveries of raw materials, rolled products, components, and products of heavy machinebuilding from the other republics of the Soviet Union. These products may not be so labor-intensive as those of the Baltic republics, but they do contain a high share of natural raw materials, which is why in principle they are competitive on the world market. The Baltic republics will be unable to pay for these deliveries in a freely convertible currency, and they will try to offset them on the basis of compensation with the products they themselves have manufactured. It is not precluded, however, that republics exporting competitive products will prefer to restrict the import of goods from the Baltic republics, and they will demand hard currency for their deliveries, which can be used more effectively on Western markets.<sup>14</sup> There is only one possible way out of this situation: settlements in the national currencies of the republics making up the USSR must be made at the union level.

It is not difficult to suppose that as soon as we make the transition to settlement in local currencies, the currencies of other republics will begin to accumulate in various regions as a result of mutual deliveries. Some currencies will inevitably begin to be in greater demand. Regardless of what anyone wants, within the Soviet Union they will end up as the reserve currencies which can be exchanged without hindrance (convertible) into all other regional currencies. Exactly which currency will perform the role of the reserve currency? We can make a guess at that question in advance if we look at world experience.

The particular currency will come forth as the reserve currency for altogether explicable reasons. There is a demand for money because there is a demand for the volume of commodities standing behind that money. To do that, they must not only satisfy consumers with their quality, but also come onto the market in the necessary quantity. Here, we are referring not only and not so much to the domestic market as to the world market, in the case we are studying—the market at the union level. This means that the volume of commodities standing behind the national currency must represent a surplus relative to domestic demand, and that surplus must be sufficient to satisfy the needs of the external market.



If the volume of commodities does not meet these requirements, then the money serving their movement will not reach the external market as a reserve currency. If this nevertheless occurs for some reason, then both the external and domestic markets and this currency itself will prove to be extremely unstable. By way of illustration, we might refer to the situation that arose on the world market in the postwar period. Early on, the goods of the United States were highly esteemed throughout the world, as proof of this one can take the increased demand for dollars and the absence of demands to exchange them for precious metal. But at a certain point there was a turnaround on the market. There was a surplus of dollars relative to the volume of commodities they served,<sup>15</sup> and Japanese and West European goods began to compete with American goods successfully. At the fixed exchange rate of the dollar for gold, the disproportions of the market were most vividly evident in the exchange of American currency for precious metal.

The demand for gold exceeded American capabilities. The market became choked, and a mass "flight from the dollar" began.

What we have said is evidence that in none of the 15 Soviet republics do the necessary conditions obtain for the republic currency to claim without question the role of a reserve currency on the union market. If it is mainly a question of serving the consumer goods market, then probably the regional currencies of the Baltic republics could be used as reserve currencies. But in this case the wholesale market has decisive importance, above all the market for machines and equipment. What is more, in the Baltic republics themselves there is a hunger for commodities, and even now there is no question of meeting the needs of the union by means of the goods produced there. The analysis contained in Table 1 shows that even the entire output of the Baltic republics is incomparable with the union scale of production for a number of basic products, not even to mention needs at the union level.

**Table 1. Share of the Baltic Republics and the RSFSR in the Unionwide Production of the Most Important Products in 1987 (in percentage)\***

Type of Product	Baltic Republics**	RSFSR
Electric power and fuel	1.4	68.2
Cast iron, steel, and rolled products	0.4	55.6
Heavy machinebuilding	4.4	52.1
Products of the organic and inorganic chemical industry	0.9	61.1
Products of the woodworking and pulp and paper industry	3.5	85.9
Cement, slate, bricks, and window glass	3.8	57.4
Consumer goods	5.4	49.2
Breakdown		
Food	5.1	43.0
Nonfood	3.6	53.5

\* Calculated from "Promyshlennost SSSR. Statisticheskii sbornik" [USSR Industry: Statistical Handbook], Moscow, 1988, pp 28-31; "Narodnoye khozyaystvo SSSR v 1987 godu" [The USSR National Economy in 1987], Moscow, 1988, p 148.

\*\* Here and hereafter the reference is to Lithuania, Latvia, and Estonia taken together.

If under those conditions the Baltic monetary units were made the reserve currencies (and accordingly began to serve a certain portion of interrepublic visible trade), then any slight change in conditions on the market would inevitably generate a crisis both for the union-level market and also for the markets of the Baltic republics themselves. Issued for the purpose of serving the union-level trade in commodities, when there are the slightest disruptions the money supply on the union market would return to its respective republic, and that would result in a complete disappearance of goods there. While the Baltic republics want to introduce regional currencies in order to protect their market from consumers in other republics, they certainly will not want to expose it to this danger. Consequently, the Baltic regional currencies will not perform the role of a reserve currency on the union-level market.

We can suppose that the currency that becomes the reserve currency will be the currency of that republic which possesses the most powerful industrial and resource potential as compared to the others. It is most probable that the currency of the RSFSR will be forced to assume this role. There is a partial explanation for this not only in the size of the product produced, distributed, and consumed in the republic, but also in quite trivial reasons such as people's habit of dealing with rubles.<sup>16</sup> In addition to this psychological factor, one also needs to take into account quantitative parameters: the predominant share of enterprises located on the territory of the RSFSR which are participants in interrepublic integrative relations, the stocks of minerals which have nationwide importance, and geographic position. In addition, as has been noted, a sizable portion of all the country's goods are produced in the RSFSR. Their quality and the

saturation of the Russian market with them differs little (either for better or worse) from the average level of the union (in our view, we can leave the world level quite to one side in this regard). For instance, in 1988 the per capita output of consumer goods in the RSFSR was 1,190 rubles, whereas the national average for this indicator was 1,224 rubles.<sup>17</sup>

This does not mean that using the ruble as a reserve currency insures the market of the USSR against all disasters. However, *taking into account the scale of the Russian market, the volume of goods in circulation on it, one can assume that the union market will be protected to a greater degree against the upheavals of crisis than if any of the republic monetary units functioned as reserve currencies.*

In other words, adoption of regional currencies will not help the republics to set their circulation of money apart, to make it independent of the processes taking place in other regions of the country. As follows from the model of republic currencies we have examined, it will not be possible to avoid the setting apart of reserve currencies, and it is the ruble that will above all be able to claim that role for altogether objective reasons. It is not precluded, of course, that as regional cost accounting evolves in the various republics, the role of the ruble as a reserve currency of the union-level market will weaken. Possibly

in time, the currencies of the Baltic republics could even become reserve currencies. But this is a matter for the misty future, by no means something of the present day.

For the Baltic republics to leave the USSR would not fundamentally change the objective economic situation. In any case, their economy would for a number of decades be very firmly "attached" to the union-level market. As is evident from Table 2, on the average more than 50 percent of the goods imported into the RSFSR and 67 percent of the goods exported are involved in interrepublic exchange (the remainder is made up of foreign imports and exports, respectively). This trade is still more significant for the Baltic republics. Taken as a whole, more than 82 percent of what these republics import and 91 percent of what they export represent trade at the union level. So that the Baltic republics receive 90-100 percent of deliveries of such strategic products as petroleum, gas, ferrous and nonferrous metals, pulp, paper, and so on, from the union market. It is equally important that the union market is the principal consumer (from 87 to 97 percent) of the foodstuffs and agricultural products exported from the Baltic republics. To export these products to the world market, their quality would have to be substantially improved, and this will take quite a bit of time. In my view, what all this indicates is this: Significant corrections can be made in the present plans of the advocates of regional cost accounting and republic currencies in the Baltic republics.

**Table 2. Share of Interrepublic Imports and Exports of Products in the Total Volume of Imports and Exports (in percentage)**

Sectors of Economy	RSFSR		Baltic Republics	
	Imports	Exports	Imports	Exports
Industry	51.82	68.10	85.12	91.61
Breakdown:				
Electric power	100.00	82.99	96.06	100.00
Petroleum and gas	67.05	44.15	99.90	63.88
Coal	39.64	39.69	27.43	0.00
Fuel	100.00	69.23	100.00	86.74
Ferrous metallurgy	71.76	78.16	94.99	90.05
Nonferrous metallurgy	55.98	65.66	98.66	98.35
Chemical and petrochemical	53.02	74.43	69.67	95.74
Machinebuilding and metal manufacturing	45.89	73.86	74.48	92.00
Timber and lumber, woodworking and pulp and paper	37.17	57.74	90.00	85.74
Building materials	56.62	87.41	90.22	91.96
Light industry	45.49	81.40	72.22	97.18
Food industry	60.53	69.40	59.89	87.64
Other branches	55.28	80.87	93.69	97.74
Agriculture	41.38	52.25	34.99	95.42
Other types of activity	22.82	29.60	68.97	89.32
Total	50.75	67.51	82.91	91.64

Source: "Ekonomicheskiye vzaimosvyazi respublik v narodnom khozyaystve" [Economic Relations Among the Republics in the National Economy], Moscow, 1989, pp 8-9, 20, 22, 27.

We will explain this idea. Imagine Lithuania, Latvia, and Estonia in the context of regional cost accounting, with a separate credit and financial system and a national circulation of money assuming the ruble of the RSFSR as the reserve currency prevailing on the union-level market. In this situation, the population of the RSFSR will be able to acquire goods on the markets of the Baltic republics without hindrance for their own domestic currency. The population of the latter will end up deprived of this opportunity.

If the calculations of USSR Goskomstat are after all correct to the effect that the interrepublic trade balance of the Baltic republics is negative, then these republics will not feel a gain from regional cost accounting. The deficit in the trade balance will result in a drop in the exchange rate of the Baltic monetary units against the ruble. Regardless of the republic to which they belong, individuals will gain when they buy the Baltic currencies for rubles at the lower rate (not at the higher rate, as some economists for some reason suppose),<sup>18</sup> and then will acquire on the consumer market of those republics the goods that are available there. In other words, the present problem of unifying cash and noncash distribution and of ensuring the convertibility of the union currency, which is now solved by reducing the purchasing power of the ruble within the limits of the market of the entire country, will possibly be resolved at the expense of the republics that introduce their own currencies.

#### Footnotes

1. See, for example, R. Otsason, "The Bank of Estonia and Estonia's Own Currency," *SOVETSKAYA ESTONIYA*, 12 January 1990; G. Sapozhnikova, "Don't Hide Your Money...", *KOMSOMOLSKAYA PRAVDA*, 1 February 1990.

2. See "Republic Currencies," *PRAVITELSTVENNY VESTNIK*, No 21, 1989, pp 6-7; "'Regional' Currencies," *EKONOMIKA I ZHIZN*, No 2, 1990, pp 4-6; "Republic Currencies: For and Against," *DENGI I KREDIT*, No 1, 1990, pp 19-28.

3. S. Uosis, "Does Lithuania Need Its Own Currency?" *VECHERNIYE NOVOSTI*, 19 October 1988.

4. K. Antanavichus, "The To Be or Not To Be for Authentic Republic Cost Accounting," *SOVETSKAYA LITVA*, 30 March 1989; also see A. Vasilyauskas, "So That the Economy Serves People," *SOVETSKAYA LITVA*, 30 March 1989.

5. See "Valyuty stran mira: spravochnik" [The Currencies of the World's Countries: Reference Manual], Moscow, 1987, pp 151, 157, 214.

6. "Republic Currencies," op. cit.

7. See, for example, A. Berg-Bergman, "What Kind of Currency?" *SOVETSKAYA LATVIYA*, 30 June 1989.

8. In this connection, we will quote the following excerpt from an interview with Prof K. Prunskene, doctor of economic sciences and USSR people's deputy: "Centralized note issue that is not controlled by the republics causes great concern. The activity of central authorities, given their absolute independence and traditions which do not justify confidence, does not guarantee the republics the use of the reserves of their economy to improve the prosperity of their people" ("A Right That Is Fettered," *SOVETSKAYA LITVA*, 26 April 1989).

9. For more detail on this, see P.V. Ushanov, "On the Value Nature of Money," *DENGI I KREDIT*, No 11, 1988, pp 38-44.

10. See S. Uosis, op. cit.

11. See V.V. Uzdenikov, "Monety Rossii. 1700-1917" [Russia's Currencies. 1700-1917], Moscow, 1986, pp 330-367.

12. S. Uosis, op. cit.

13. These two potential functions of the ruble could be united only in the case that N. Petrakov's proposal and that of certain other economists is adopted concerning the introduction of parallel currencies. Then the "old" ruble would degenerate into an accounting unit, and the new one could serve the visible trade of the RSFSR. But this supposition, as will be clear from what follows, makes no essential adjustments in the analysis we make.

14. In this case, I am deliberately bypassing the estimate of USSR Goskomstat of the interrepublic trade balance (in world prices and the prices within the economy) with which the officials of a number of republics do not agree (see *ARGUMENTY I FAKTY*, No 50, 1989).

15. We are referring here to the volume of commodities in the broad sense, including those represented on the market for real and fictitious capital, and so on.

16. This stereotype is inherent not only in the ordinary consumer, but also in the managers of all kinds of production operations, banks, organizations that operate as middlemen, and so on.

17. See "Narodnoye khozyaystvo SSSR v 1988 godu," Moscow, 1989, p 406.

18. See P. Otsason, op. cit.

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#### Estonian Government Justifies Decision to Lift Subsidies on Fish

904A0548A Tallinn *SOVETSKAYA ESTONIYA*  
in Russian 3 Aug 90 p 1

[Article: "Point of View of the Government of the Estonian Republic on Growth of Prices Resulting From Activities of the USSR Ministry of Finances"]

[Text] Recently in connection with growth of prices on fish and fish products, various bodies, and primarily the Bureau of the Estonian Communist Party Central Committee and the presidium of the OSTK [United Council of Labor Collectives], declared that uncontrolled growth of prices is the political line of the republic's government. The government of the republic takes these declarations as demagogic attempts at disorienting the population relative to the government's economic policy.

The declaration by the Bureau of the Estonian Communist Party Central Committee demands "mechanisms of compensation for losses inflicted on the population" from the government and local authorities. It would hardly be possible for the government, which has been in power for three months, and for local authorities who have been in power for little more than a year, to compensate for damages inflicted upon Estonia during 50 years of socialism under the leadership of the Estonian Communist Party. Moreover these damages are simultaneously moral and material.

We must clearly recognize today that we cannot make a transition to a market economy while still keeping the lie of socialism and a planned economy in our back pocket. The artificial price policy that has been followed up until now is ruining the producers and continually disorienting consumers.

The declaration of the OSTK presidium is an attempt to distract public opinion from creation of the Integral Association, which carries the threat of economic and territorial division of Estonia on the basis of economic sectors and language.

The increase in prices on fish and fish products is the result of the lifting of subsidies on fish products sold in Estonia by the USSR Ministry of Finances as of 15 June of this year. As a result of this, our receipts from the union budget will be short by over 24 million rubles—the amount paid in compensation to cover the difference between retail and wholesale prices on fish products. The government of the Estonian Republic had to choose among four directions:

- subsidizing fish products out of the republic's budget in the amount of the lacking 24 million rubles. But the budget does not have any free assets for this purpose;
- declaring the fish combines bankrupt, and closing them;
- raising prices on fish while concurrently freezing all prices at their maximum level;
- permitting free market prices.

A month later, while the former retail prices were still in effect, prices were raised in accordance with a combined variant on the basis of a government decree dated 2 July. This means that the bulk of prices on fish products are now under the control of the government on the basis of maximum prices, while fresh fish, which is treated as a hard-to-sell and perishable product, is sold at free-floating prices.

By permitting free market prices on fresh fish, the government hopes to raise the economic interest of producers in selling fish products of better quality. In the fresh fish trade in Estonia, not one fishing kolkhoz or any other producer possesses a monopoly permitting full dictatorship over prices.

Attempting to maintain the standard of living of the population and protecting the interests of low-income population groups, in its 2 July meeting the government took a special look at the matter of compensation for growth of prices on fish products. A decision was made to compensate for this growth in prices. Calculations showed that annual subsidies on fish and fish products would be 24.6 million rubles, or a monthly average of 1.37 rubles per resident, and an annual average of 16.44 rubles.

Understandably, the population's outlays on the purchase of fish articles are distributed nonuniformly. But in paying compensation, we can base ourselves only on average indicators.

It was deemed suitable, therefore, to pay compensation for the rise in prices on fish and fish products together with compensation for meat and dairy articles as of 1 October of this year. Payment of compensation for fish would be backdated to the day when prices were raised—that is, 16 July 1990.

The government will submit the corresponding proposal to the Supreme Soviet of the Estonian Republic in mid-September of this year, together with its regular budget amendments.

The government of the Estonian Republic reports that the USSR Ministry of Finances closed our accounts pertaining to the difference in prices on grain, which have been used thus far to cover losses in grain production. This action affects the entire territory of the USSR, and beginning in September, when the USSR Supreme Soviet will adopt this decree, prices on bread, baked articles and meal will more than double on the average.

Despite the fact that the USSR Supreme Soviet tabled the decision on this "unpleasant" price increase until September, grain from the new harvest has begun entering Estonia at the new prices. The Estonian Republic must pay 300 rubles per ton of wheat imported from Russia. Up until now, the accounting price was 111 rubles per ton.

The government of the Estonian Republic is now addressing the grain problem, and seeking variants acceptable to the population and industry. We will inform the public about the results in the latter half of August.



## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Military Involvement in Harvest Emergency

#### Help Urgently Needed

904B0278A Moscow KRASNAYA ZVEZDA in Russian  
4 Aug 90 First Edition p 1

[Article by Lt Col S. Kalinayev under "Harvest 90" rubric: "Help Urgently Needed"]

[Text] A very good harvest is ripening, an exceptional harvest. And it will be a shame if we lose it. Or if we do not bring it all in. It is an exceptional harvest and we need to take exceptional measures....

It was with these words that Chairman of the USSR Council of Ministers N.I. Ryzhkov opened the meeting on 2 August of the Presidium of the Council of Ministers on the question of additional measures to involve labor collectives and the means of transport in the harvest.

According to the estimates of specialists, 300 million tons of grain have ripened. If one takes average data, natural losses in the harvest may amount to 30 to 40 million tons. They cannot be avoided these days. But all of the remaining grain must be brought in. Otherwise it will be necessary to reduce the level of food provided to the population by 20 to 25 percent, which must not be allowed.

The situation is the same with vegetables and potatoes. If the countryside is not helped, 25 percent will be lost. They will simply be plowed under.

What are the ways to solve the problem? Additional manpower resources—from enterprises, institutions and student lecture halls—must be sent from the cities to the harvest and this must be done urgently. The rural areas, which lose a million people every year, cannot cope with the harvest season without help from the city. Here is just one fact: 20 percent of the combines stand idle in the fields today.

Among the "exceptional measures" is the major, up to 10 to 15 percent, involvement of motor vehicles from enterprises, organizations, urban farms, etc., in the harvest. "Only the army can save us here," said one of the speakers. The supplemental need for motor vehicles is currently 20,000 and most of them—along with drivers—will have to be provided by the armed forces.

In his recent trip to Saratov and Uralsk oblasts, Nikolay Ivanovich Ryzhkov also visited one of the military schools that trains personnel for military transport aviation. At the meeting, he shared his impressions from the encounter. In the process of training military pilots, the school's fleet of aircraft "carry" air practically all the time. The command and officers of the school expressed their full willingness to convey national economic loads, including the harvest of fruits and vegetables, a distance of up to 2,000 kilometers.

The USSR Council of Ministers will make specific decisions on the entire complex of these and other questions in the coming days.

Thus, an additional 20,000 motor vehicles with drivers will be required for the harvest. The armed forces are sending another 10,000 vehicles to the fields on an urgent basis. 35,000 military vehicles are already hauling grain and vegetables.

#### Military Vehicles Provided

904B0278B Moscow KRASNAYA ZVEZDA in Russian  
4 Aug 90 First Edition p 1

[Article from the Press Center of the USSR Ministry of Defense: "Soldiers on the Grain Routes"]

[Text] As was already reported, the USSR Ministry of Defense has formed 70 motor transport battalions including 35,000 vehicles for the harvest this year. Most of them are already working on the grain routes of Russia and Kazakhstan. Altogether, 1.088 million tons of farm products, including 792,000 tons of grain, have been transported with them since the start of the harvest. In Volgograd Oblast, the soldier-drivers have already transported 566,000 tons of farm products, including 460,000 tons of grain. In Saratov Oblast, the respective figures are 217,000 and 176,000 tons; 33,000 tons of grain have been hauled in Uralsk Oblast.

In connection with the fact that in many rayons an extremely intense situation has arisen with respect to the hauling of the grain from the unprecedented generous harvest this year, which is fraught with serious losses of grain, the decision has been made to allocate an additional 20 motor transport battalions, that is, 10,000 vehicles.

The minister of defense also issued instructions to the commanders of the forces of the military districts, commanders of units and garrison commanding officers to provide comprehensive help to the workers of the countryside by allocating personnel and equipment. The leadership of the USSR Ministry of Defense appealed to all personnel of the armed forces to relate to the harvest as a matter of special state importance, thereby showing very great organization, discipline and responsibility for the fate of the harvest.

#### Kuybyshev Situation

904B0278C Moscow KRASNAYA ZVEZDA in Russian  
4 Aug 90 First Edition p 1

[Article: "Echelons Going to the Volga Area"]

[Text] On 2 August, the first echelon with subunits and equipment was dispatched from the Western Group of Forces for the harvest in Kuybyshev Oblast. Altogether

the group is allocating more than 2,000 people and more than 1,000 trucks already equipped for hauling grain to help agriculture in the Volga area.

As related by Lt Gen M. Kalinin, first deputy commander of the group of forces, the battalions of the group are 100 percent manned with drivers.

It is planned over the next 10 days to dispatch two echelons a day in the USSR.

### Military Air Transport

904B0278D Moscow TRUD in Russian 7 Aug 90 p 1

[Article by V. Volgin: "Battalions Rushing to Help"]

[Text] Yesterday the first of 28 planned aircraft of military transport aviation headed for Astrakhan. Along with the 15 Il-76's already working in the transport of vegetables, they will establish an air bridge from the Caspian area to the northern and eastern regions of the country.

We were informed in the Ministry of Defense that the formation of an additional 20 motor transport battalions is being completed. They will be hauling grain from the fields of Kazakhstan and southern Russia. About 22,000 soldiers and 10,000 trucks are awaiting requests from local authorities.

As usual, there is some overlapping. Some of the drivers of virgin battalions are being called up from the reserves during the time of the harvest. But some leaders of Chimkent, Taldy-Kurgan and Dzhambul oblasts vigorously defended the drivers of their own personal vehicles, apparently thinking that the decrees of the union government do not extend to them personally.

At the same time, the rayon authorities are trying under any pretexts to obtain the help of as many military subunits as possible. As a result of such "planned" distribution, the possibilities of the virgin battalion are being utilized only 15 to 20 percent in Aktyubinsk Oblast. Military drivers are shifted from one place to another, wasting fuel and valuable time.

Altogether they have transported more than one million tons of farm products since the beginning of the harvest, including about 800,000 tons of grain.

### Moscow Okrug Transport

904B0278E Moscow KRASNAYA ZVEZDA in Russian  
10 Aug 90 First Edition p 1

[Interview with Maj Gen G. Virgasov, chief of the motor transport support service of Moscow Military District, by Col F. Semyanovskiy under "Harvest 90" rubric: "Not All Lessons Considered"; date and place not specified]

[Text] The military motor transport specialists from Moscow Military District are taking active part in this

year's harvest. Our outside correspondent met with Maj Gen G. Virgasov, chief of the motor transport support service of the district.

[Semyanovskiy] Granit Fedorovich, how did the military motor transport specialists relate to the decision to allocate equipment and people to the harvest?

[Virgasov] The officers and soldiers had understanding for this extreme measure. This is precisely how we receive the decrees of the government. Although I will say frankly that there is much in this situation that disturbs us military people, above all problems in combat readiness.

[Semyanovskiy] Please tell us specifically how the military drivers of the district are participating in the grain harvesting season.

[Virgasov] At the present time, we have allocated 1,000 military vehicles for the harvest in Belgorod Oblast and an equal number for work in Altayskiy Kray. We are also prepared to have to allocate more than 500 vehicles for the harvest in the fields near Moscow. In Belgorod Oblast, more than 25 percent of the drivers are inducted personnel and the rest were called up from the reserves. The situation is similar in Altayskiy Kray. People are working from dawn to dusk. Among them, I would like to name the lieutenant colonels A. Romanov, S. Teterkin, A. Klochkov, V. Yakonyuk, Ye. Duginov and others.

At the same time, they are wasting too much time in meetings at the oblast and rayon levels. But few people are interested, for example, in where people and machinery will be housed. At times they are proposing cattle yards and ditches for this....

[Semyanovskiy] Are the lessons from last year being considered?

[Virgasov] One of the bitter lessons is the following. As long as the machines are hauling produce, our people sense at least some concern for them. But as soon as the work comes to an end, people seem to forget about them immediately. And it took almost superhuman efforts just to dispatch drivers and machinery from the units. Sometimes they quite simply abandoned the machines in the fields and then the officers went out and "collected" them. This could happen again.

In my view, a second major error involves unjustified two-way transport. I will give an example to explain. We sent 1,000 machines to Altayskiy Kray. Meanwhile, in the territory where the troops of Moscow Military District are deployed, there are already 16 motor transport battalions at work from other districts, including some that are very far away. As you can see, the lesson was of no use.

### Transport Assistance Described

904B0278F Moscow SELSKAYA ZHIZN in Russian 12 Aug 90 p 1

[Article by V. Simonenkov: "The Soldiers Are Helping"]

[Text] As you know, the soldiers of the USSR Armed Forces are taking part in the unprecedented harvest in accordance with a decree of the USSR Council of Ministers. As Col N. Kiselev, deputy political chief of staff for the leadership of motor transport battalions of the USSR Ministry of Defense, reported to our correspondent, 68 of the 90 virgin battalions formed have begun this work. This is 34,000 motor vehicles. They are working in 24 oblasts and rayons of Russia and Kazakhstan.

A third of the men in the battalions are cadre-inducted military personnel and the rest have been called up from the reserves. A special feature of this year is that most of the soldiers from the reserves are working in those oblasts from where they were called up.

People are working under a maximum load in Volgograd, Voronezh, Uralsk and Aktyubinsk oblasts. According to reports as of 10 August, 2.3 million tons of agricultural loads have been hauled, including more than 1.6 million tons of grain.

A good harvest is expected in Kustanay Oblast. Nine battalions are being sent there, five of which are fully manned. Altogether, according to preliminary estimates, the military people will haul 31 million tons of freight, including 7 million tons of grain.

Advanced workers were also determined. They include the battalion of Lt Col A. Voronin, which is working in Volgograd Oblast. It has transported 200,000 tons of agricultural freight. And the subordinates of Lt Col V. Dobrolyubov in Voronezh Oblast have hauled about 100,000 tons of freight. These subunits have been awarded monetary bonuses of 2,000 and 1,200 rubles, respectively.

But there are also problems. The main problem is the fact that not all leaders of oblasts, enterprises and institutions reacted conscientiously and with understanding to the withdrawal of people for the performance of this most important state task. There have been instances in which the managers of enterprises have simply sabotaged the sending of people to help the peasants. And if they sent them, it was people whom any manager tries to "get out of his sight." Similar facts have been noted in Saratov, Lipetsk, Ulyanovsk and Kursk oblasts. At other places, things reached the point where they had to send some people back, that is, they came to the assembly points in a drunken state.

There are other disturbing signals as well. In Orenburg Oblast, for example, a battalion formed in the Pacific Fleet is awaiting work. In Saratov Oblast, 600 machines from Odessa Military District stand idle. A working

group of the staff flew out there to look into things locally and to redeploy the subunits if necessary.

### Incentives Applied to Increase Procurements

#### Material Incentives Discussed

904B0279A Moscow IZVESTIYA in Russian 31 Jul 90 Morning Edition p 1

[Article by V. Konovalov: "The Harvest and Interest"]

[Text] A special rural currency will appear in the RSFSR in a month. Ten billion rubles' worth of these "Harvest-90" checks will be issued. Workers of kolkhozes, sovkhoses, processing enterprises, procurement organizations, consumer cooperatives and, most importantly, farmers and owners of private peasant plots will be able to obtain them for agricultural products sold to the state. While these checks will not be negotiable instruments, they will entitle their bearers to acquire consumer goods. That is, they will raise the weight and power of the earned ruble, and consequently, interest in it.

One other important factor that makes these checks more like money is that they may be used to stimulate partners—supplying enterprises and service organizations. Up until now, payment in kind has dominated in the mutual relations of rural residents with industry, consumer services and "patrons." As a rule, partners eagerly make rural contacts only when it comes to food items. Now the possibilities of agricultural workers will expand: They will be able to use their entitlement to various scarce goods as a bargaining point.

This innovation was foreseen in the decree "On Immediate Measures to Increase Procurement of Agricultural Products From the 1990 Harvest and Ensure Its Preservation" adopted by the RSFSR Council of Ministers last week. This document is one of the first concrete steps of the new Russian government in the rural economy. In order to correctly evaluate it, we must understand that it is a tactical and not a strategic move—it does not affect the principles themselves of the economic system. The goal is to reduce harvest losses right now, this year, and improve availability of food products to the republic's residents.

The decree was preceded by an appeal from RSFSR Supreme Soviet Chairman B. Yeltsin to the people of the RSFSR, in which he stated the need for expanding the independence, rights and possibilities of agricultural producers, and equally in regard to all forms of labor organization and property ownership at that. This was the objective of the Russian government's decree.

In accordance with this document, permission was granted to sell surplus agricultural products remaining after fulfillment of contracts, as well as up to 30 percent of farming products included in state orders, at the discretion of procurement organizations and other consumers, and at contracted prices. Products on which

delivery was refused or products which were not shipped out by the purchaser by a contracted deadline may also be sold in this fashion.

Any restrictions on the sale of products in the RSFSR were deemed impermissible in this case. Many examples are known in which such restrictions—for example on delivery of certain products outside an oblast or kray—are established by local authorities. Besides the courts and arbitration, suspension of the issue and redemption of the mentioned checks for goods in such territories will become one of the methods of combatting such local self-interest.

All products procured above the contracted amounts will be added to the Russian fund and used for the needs of the RSFSR national economy.

It was established that in the event that grain reception points and combined fodder plants violate their contracts, the RSFSR Ministry of Grain Products guarantees reimbursement for contributed grain in kind, and full compensation of the farms for losses associated with any product shortages.

Reliance upon the interest of the individual peasant, be he a kolkhoz or sovkhov worker, the owner of a private plot, or a free farmer, may be thought of as perhaps the main principle of the adopted decree. Thus, it is recommended that kolkhozes and sovkhoves sell up to 10 percent of their gross harvest to farm workers, including temporary and seasonal workers, at state purchase prices. It was proposed that not less than 60 percent of the "Harvest-90" checks received by farms and other enterprises of the agroindustrial complex be issued directly to workers for acquisition of goods they order for themselves. And only the remaining 40 percent should go to collective needs.

The sale of consumer goods ordered by rural workers will be organized at regional exhibitions and fairs, and in special stores (divisions, sections).

Other specific measures for raising the interest of peasants and reducing harvest losses are also foreseen in the decree. Let me repeat that this is in no way a fundamental program for reviving the rural economy. But we can expect a tangible impact from this document in the current situation. It all depends on how efficient and how well organized its implementation will be.

#### **RSFSR Decree on Procurements**

904B0279B Moscow SOVETSKAYA ROSSIYA  
in Russian 28 Jul 90 First Edition pp 1,3

[Decree of the RSFSR Council of Ministers "On Immediate Measures to Increase Procurement of Agricultural Products From the 1990 Harvest and Ensure Its Preservation"]

[Text] In order to improve the food supply to the population of the Russian Federation by increasing production, deliveries of agricultural products to the

republic (RSFSR) fund and their sale to the population in 1990, which is to be done by activating unutilized resources and reducing losses during harvesting, transportation, storage, processing and marketing, and in order to raise the interest of kolkhozes, sovkhoves, organizations, leaseholders, peasant farms, cooperatives, and procurement, processing and other enterprises, the RSFSR Council of Ministers resolves:

#### **1. Measures to Expand the Independence of Kolkhozes and Sovkhoves in Selling the Harvest**

1. To permit all producers of agricultural products to sell their surpluses remaining after fulfilling signed contracts and, in accordance with the existing procedure, up to 30 percent of farming products included in state orders, at the discretion of the procurement organizations and other consumers and at contracted prices.

All forms of products of the 1990 harvest not sold previously on the basis of contracts and produced above the planned volumes, as well as products on which delivery was refused or products which were not shipped out by the purchaser by a contracted deadline, are to be sold in accordance with this procedure.

2. To make impermissible all restrictions on the sale and shipment of agricultural products to consumers in autonomous republics, krais and oblasts of the RSFSR on the basis of Clause 1 of this decree. To establish that organs which permit such restrictions must compensate the farms for losses equal to the total cost of unsold (unshipped) products. Damages are collected through arbitration or the courts.

In the event that local soviets impose such restrictions on territory under their jurisdiction, issue and redemption of "Harvest-90" checks, introduced by this decree, may be suspended in these territories on the basis of a decision of the RSFSR Council of Ministers.

3. To allow farms and other producers as well as procurement organizations to sign contracts to sell surplus products, using efficient means of establishing these contracts (exchange of letters, telegrams etc.).

4. To establish that when farms surrender their grain for storage to grain reception points or combined fodder plants in exchange for combined fodder, the RSFSR Ministry of Grain Products is to maintain control over compliance with business contracts by organizations subordinated to it.

In the event that grain reception points or combined fodder plants violate contracts, the RSFSR Ministry of Grain Products guarantees reimbursement for contributed grain in kind, and full compensation of the farms for losses associated with product shortages.

5. In order to strengthen the system for economic stimulation of public production, to recommend that kolkhozes and sovkhoves sell up to 10 percent of the gross harvest of grain, potatoes, vegetables, fruits and other products to farm workers, including temporary



and seasonal workers, at state purchase prices, and in the event of their absence, at the maximum contracted prices.

6. That the RSFSR Ministry of Grain Products and the RSFSR Ministry of Trade shall deposit all products procured in autonomous republics, krais and oblasts above the signed contracts into the republic (RSFSR) fund, and utilize them for the needs of the RSFSR national economy.

## II. Measures to Stimulate the Sale of Agricultural Products to the State by Selling Consumer Goods in Return

7. To introduce issue of "Harvest-90" checks to workers of kolkhozes, sovkhozes, other agroindustrial enterprises and organizations, and peasant and private farms in 1990 for the sale of agricultural products to the state

To establish that these checks guarantee the right to acquire consumer goods at retail prices in trade enterprises. These checks are not negotiable instruments.

8. That prior to 1 September 1990 the RSFSR Ministry of Finances and the RSFSR Ministry of Agriculture and Food shall print, and place into circulation in the RSFSR through institutions of the RSFSR Gosbank, "Harvest-90" checks worth 10 billion rubles, valid until 1 October 1991.

9. To establish that divisions of the RSFSR Gosbank are to issue the "Harvest-90" checks:

- to all producers who sell standard products to the state between 1 July 1990 and 30 June 1991 on the basis of documents approved by local state statistical organs, in an amount equal to 10 percent of the cost of sold products, and 15 percent of the cost of products sold above the mean annual level of 1986-1989. The sale of fruits and vegetables shall be stimulated on the condition that state orders for their delivery to union consumers and to regions of the Far North are satisfied. The purchase of products is guaranteed by the state within the limits of the volume of state orders, while purchase beyond this volume may be allowed on the condition that the appropriate storage and processing capacities are available;

- to processing enterprises of the agroindustrial complex and to storage bases, for all standard products obtained by reducing storage losses and increasing the output of raw material processing, in comparison with the level attained over the last two years, in an amount equal to 30 percent of their cost;

- to procurement organizations for workers directly employed in purchasing agricultural products for the state, in an amount equal to 0.5 percent of the cost of purchased products;

- to consumer cooperative organizations for trade workers directly employed in the sale of the goods, in

an amount equal to 0.75 percent of the cost of the goods actually sold on the basis of the indicated checks.

10. That in the period until 15 September 1990, the RSFSR Ministry of Agriculture and Food, the RSFSR Ministry of Trade, the RSFSR Ministry of Grain Products, the Russian Consumer's Union and other RSFSR ministries and departments procuring agricultural products within RSFSR territory shall ensure, jointly with the RSFSR Gosbank, issue of checks in advance to workers of kolkhozes, sovkhozes, peasant and private farms and other agricultural enterprises, at a rate of 1 percent of the cost of contracted products.

11. To recommend that kolkhozes, sovkhozes, other agricultural and processing enterprises of the agroindustrial complex, and agricultural product storage bases issue not less than 60 percent of the "Harvest-90" checks they receive to permanent, temporary and seasonal workers for acquisition of goods they order, with regard for their contribution to agricultural production. The remaining checks are to be used to acquire equipment, materials and preparations for medical and children's institutions, schools, public food services enterprises and other public facilities, as well as to purchase agricultural equipment and food processing shops, as decided by the labor collectives.

To allow enterprises receiving "Harvest-90" checks to use them to stimulate supplying enterprises and service organizations, as agreed beforehand.

12. To require the Russian Consumer's Union to submit orders for consumer goods placed on the basis of "Harvest-90" checks to the RSFSR Ministry of Foreign Economic Relations, and to organize their sale on the basis of preliminary orders of citizens and organizations at regional exhibitions and fairs and in specialized stores (divisions, sections). That the Russian Consumer's Union shall ensure delivery of goods to consumers on the basis of "Harvest-90" checks not later than 1 January 1991. To establish two months as the time for filling orders on the basis of the indicated checks in 1991.

*Chairman of the RSFSR Council of Ministers I. Silayev*

*Business Manager of the RSFSR Council of Ministers A. Sterligov*

*Moscow 26 July 1990*

## New Procurement Prices Announced

904B0279C Moscow SELSKAYA ZHIZN in Russian  
11 Aug 90 p 1

[Article: "In the USSR Council of Ministers: New Procurement Prices on Field and Farm Products"]

[Text] On 9 August the USSR Council of Ministers adopted a decree introducing new state procurement prices on agricultural products as of 1 January 1991.

They were approved at the union level in relation to a restricted list of products, for the period of transition to market relations.

The government established procurement prices on sunflower, sugar beets, cotton, flax products, tobacco, high quality tea leaves, the principal types of farm animals and poultry, milk and cream. They are increasing by an average of 32 percent. As we know, new prices were introduced on cereal crops in May.

The procedures for establishing procurement prices on all other forms of agricultural products and raw materials and the level of these procurement prices will henceforth be determined by the governments of the union republics. A mechanism for adjusting these prices annually in order to maintain the necessary equivalency in exchange between agriculture and other sectors is foreseen.

The state procurement prices approved by the USSR Council of Ministers are coordinated with new wholesale prices and rates for industrial products and services, and with changes in the tax law, in insurance and in other mutual relations between agricultural enterprises and budgets, which creates better conditions for work based on cost accounting principles.

### **Skiba Addresses Impediments to Agricultural Reform**

904B0238A Moscow PARTIYNAYA ZHIZN in Russian No 10, May 90 pp 54-60

[Article by I. Skiba, head of the Agrarian Section of the CPSU Central Committee: "The Agrarian Question: What Is Slowing Reform?"]

[Text] In the process of preparing for the 28th Party Congress, in the course of the discussion of the drafts of the Central Committee Platform and CPSU Rules at party meetings and conferences, in conversations with communists and working people and at meetings, questions are arising again and again that have to do with the stabilization of the food market and with a more active implementation of the measures foreseen by the party's agrarian policy. What can you say—the problems are vital and urgent. Their resolution depends to a considerable extent upon radical political, economic, social and cultural changes in the countryside and the establishment of conditions in the rural areas that truly provide room for economic enterprise and the initiative of the peasantry: labor collectives and all those who are not indifferent to the problems in the countryside today.

Why is reform slipping in the rural areas?

More than a year ago, the March Plenum of the CPSU Central Committee offered the society an agrarian policy, the implementation of which provided for an alleviation of the food problem in the near future and, in the 13th Five-Year Plan, for the production of farm products in a quantity and assortment adequate for a

stable food supply. Its basis is a complex of radical measures aimed at the normalization of the rural economy, the strengthening of the ties between the cities and the countryside and the affirmation of the peasant as the master of the land.

As a consequence, the political conclusions and assessments of the party received the appropriate economic and social-legal support. The USSR Supreme Soviet has passed and is putting into effect laws on ownership, on the land and on leasing, the positions of which provide a sound basis and are strengthening the diversity of forms of ownership and management. A broad path is open for the expansion and development of state and cooperative farms, various joint associations, firms and enterprises, peasant and private plots and subsidiary undertakings. In short, full latitude has been given for the affirmation of all forms of activity and the establishment of a mixed agriculture.

How were the new conditions reflected in the indicators of the work of agriculture and the entire agro-industrial complex [APK]?

According to the data of the USSR State Committee for Statistics, the total volume of output of the APK last year amounted to 475 billion rubles (in comparable prices) and increased by 1.9 percent over 1988. Gross agricultural output increased by one percent. Labor productivity in public agriculture increased by five percent despite a reduction of the number of workers by 700,000 people. The kolkhozes and sovkhozes received more than 49 billion rubles in profit and the profitability of agricultural output was 34 percent. The number of unprofitable farms declined to 1,100 (2.2 percent of the number of kolkhozes and sovkhozes). Peasant farms began to make a way for themselves. Their number has now exceeded 20,000, including 5,600 in the Latvian SSR, 1,300 each in the Estonian SSR and Uzbek SSR and more than 12,000 in the Georgian SSR.

The results are more significant in those regions where they are in fact actively implementing the course outlined by the party for the expansion of the independence and development of the initiative of labor collectives as well as the realization of new production relations and where the incentive of peasants is directly linked with the final results of labor. They include Lipetsk, Belgorod, Voronezh, Rostov, Ryazan, Orel, Chita, Cherkassy, Tselinograd and Kokchetav oblasts, Stavropolskiy and Altayskiy krais, Mariyskaya ASSR and Kirghiz SSR, whose party committees concentrated organizational and mass political work directly in primary organizations and labor collectives. Acting through communists, they make a real assessment of the mood of the people, look into the reasons for the backwardness of agricultural production and their structural subdivisions and carry out measures to provide them specific help taking into account local conditions, concentrating their efforts on the restructuring of economic relations, the strengthening of independence in the management of production and the development of initiative from below.

They are all united by a creative attitude toward the work. Thus, the Belgorod, Orel and Voronezh oblast party organizations, in carrying out agrarian policy locally, concentrated the attention of primary organizations and labor collectives on the implementation of economic reform, the improvement of the living and working conditions of peasants and the social reorganization of the countryside. Many rural raykoms of the Belorussian Communist Party together with the primary party organizations of kolkhozes and sovkhozes, village and settlement councils of people's deputies, managers of kolkhozes and sovkhozes and party activists are carrying out measures for the integration of private and public plots, which makes it possible to increase production without additional investments.

Still, frankly speaking, the situation is changing for the better in agriculture only slowly. The agro-industrial sector of the economy as a whole is working below its possibilities and the needs of the society.

The planned volumes of production of output in farming and animal husbandry are not being met. In the first four years of the five-year plan, the average annual volume of gross agricultural output increased by 9.9 percent in comparison with the preceding five-year plan, while the estimate for this period of the five-year plan was 12.9 percent. The agrarian sector is behind developed countries in many indicators—labor productivity, yield of the fields and productivity of livestock.

Breakdowns in the work of agriculture also affect the well-being of the people and the moral and psychological climate in the society.

The roots of the current situation are in the countryside and in its social and economic position. The transformations now being realized in the rural areas are not being cast into doubt, although, judging by statements in the press, there is no one opinion on the ways to make radical changes in the countryside and on which priorities should be selected and guaranteed here. The conflict of different points of view on the same problem is a normal phenomenon in a democratic society.

The slowed pace of development of agriculture this year is the result of many reasons. One is that the enforceable acts regulating economic relations in the rural areas were either passed with a great delay or are still under study. This also affects such important questions in ensuring the efficient functioning of production as price-setting, the scientific and material-technical supply of the APK, the social transformation of the countryside and others.

Another inhibiting factor is that new things make their way with difficulty. Hold habits, dogmatic thinking and the work style that developed in the past are still dominant in the actions of many party, soviet and economic bodies, managers of kolkhozes and sovkhozes and specialists. Nor were different levels of administration exempt from this. Party workers need to consider the entire range of the difficulties arising in their actions and

organize all of their work in the realization of contemporary agrarian policy on the basis of a new interpretation of the economic, social, organizational and cultural problems in the countryside today.

Two basic conceptual approaches to agrarian reforms have now appeared among agrarian scientists and practical workers. The first is based on the fact that the primary thing lacking for the resolution of the food problem is capital investments, material-technical resources and executive discipline. This group of specialists is looking toward the accelerated development of productive forces. In their discussions, as a rule, they deal less with production relations in the countryside. The second point of view, on the other hand, proceeds from the necessity of immediate radical changes in the rural areas, namely: turn the land over to ownership by peasants, allow its purchase and sale and shift to free market relations.

It appears, nevertheless, that the truth is in a combination of the development of new production relations and productive forces, whereby the shift in the practical organization of the matter should be made in favor of the first factor. The logic of perestroika favors activating as quickly as possible the potential that has already been established and truly opening up the possibilities of independent and interested peasant labor. This is the concept of the agrarian policy worked out by the party, the basis of which is a fundamental change in the position of the peasant in the society.

Our past convinces us that merely saturating the rural areas with resources without using them properly will not yield the desired effect. The agrarian sector of the economy received large amounts of capital investments, equipment and mineral fertilizers. An extensive program of land reclamation was carried out in the rural areas. But we did not receive the yield that we had counted on from the means invested in agricultural production and we did not achieve the expected increase in output. Thus, the improvement of economic relations and the affirmation of the true master on the land are the actual realities of the agrarian policy now being realized in the rural areas. They are becoming a permanent part of our public consciousness.

Many disputes are also arising about the means of rural management: whether it is best to have large-scale public production or small leased collectives, family farms, peasant holdings, kolkhozes and sovkhozes transformed into cooperatives of cooperatives, etc. The country does indeed have many large farms that are operating in an exemplary manner. So to raise the question of their elimination is not justified either economically or politically. But one cannot see the situation as being one in which the process of the radicalization of production relations can by-pass the above-mentioned type of management. At the same time, there are many examples in which leased collectives and family farms achieve good results in their work within the short time of a year or

two. They seem to be complementing large-scale production systems, working in close cooperation with them.

The personal "credo" of some individuals that has developed over many years prevents them from opening their eyes to the realities of life today. Key personnel, especially in the party, are not supposed to see that a multiplicity of forms of ownership and their legal equality and hence methods of management must not only be declared but also be actively assimilated in practice and receive comprehensive support. Precisely this is how the question is raised today in the draft Central Committee Platform presented for national discussion.

Practice attests that to a considerable extent the low level of production has to do with the fact that backward farms were not greatly affected by measures for a fundamental change in the style, methods and forms of work, whereas transformations in the agrarian sphere are frequently carried out separately from the political and economic reforms being implemented in the country. Besides that, many party committees and primary party organizations view the transition of kolkhozes, sovkhozes and agro-industrial enterprises to full cost accounting and self-financing as a purely economic measure and make insufficient use of it for raising the political and labor activity of workers and developing democracy in the rural areas taking into account the new social and political situation.

In this connection, party organizational and mass political work must be aimed at the assimilation of new forms of management by the broad masses of rural workers so that the social and economic reforms will serve to achieve the main objective, that of establishing a highly developed agriculture. Naturally the essence of agrarian policy must be explained comprehensibly using specific examples, forming a new thinking among managers, specialists, workers and kolkhoz farmers that is free from the dogmatism and stereotypes of the past. There is not at the present time a more important task in rural party committees and organizations than the restoration of the peasantry as a powerful social and political movement in the transformation of the society.

One can judge its potential possibilities by looking at the experience in the work of the party organization and entire labor collective of Pravda Kolkhoz in Baltskiy Rayon of Odessa Oblast. Last year, at the proposal of communists, the farm took on a new quality—that of an association of cooperatives. It included 45 independent cooperatives, each of which has its own balance and personal account. All of this was realized with the broad participation of kolkhoz workers in the management of production and social matters. Each cooperative and the association as a whole reviewed their own managerial structure and that of the entire farm. Structural subdivisions were also changed in the party organization. Brigade party links were consolidated and nine shop party

organizations were established, which made it possible to work with people better and to reach each communist and each worker.

But by no means are they acting in this way everywhere. There is still a lot of inertia and satisfaction with what has been achieved, which hinders the organization of creative work. Only individual collectives in Amursk, Tambov, Murmansk, Guryev and Karaganda oblasts and Komi and Yakutskaya autonomous republics looked into the new forms of management. Most primary party organizations did not become convinced adherents of progressive undertakings in the economy. And party committees sometimes take a waiting posture and do not show the proper initiative to do what should be done. It is not, of course, a matter of forcing or "incorporating" for the sake of a high percentage, of artificially pushing complex social and economic processes in the rural areas. But one must not remain passive and let things take their own course and neither should one act haphazardly without acquiring the necessary knowledge, without determining the true strivings of peasants and without offering goals and means to achieve them.

The production and scientific collectives of the agro-industrial sector themselves determined a substantial increase in the current year of the volumes of gross output of farming and animal husbandry—an increase of 7 percent in comparison with last year. As is apparent, significant progress is foreseen and, what is very important, it is based on a conscientious attitude toward the matter by the peasants themselves and on an understanding of their responsibility for reducing the social tension in the society. This demonstrates once again that in the resolution of important problems it is necessary to rely not on the force of a directive but on the specific individual and on the energy of collective reason and collective actions and to organize the work so that the labor cells will be dominated by a healthy moral and psychological climate.

A large role here belongs to the party rural raykoms. For they are directly linked with primary party organizations and communists, which makes it possible on a daily basis and without intermediary links to sense the mood of the people, to understand their interests and requirements and to organize their own work taking this into account. Everything must be subordinated to the affirmation of a worthy attitude in the society toward the country's breadwinners.

Quite a lot is being done in this direction by the Kaŕymskiy CPSU Raykom in Chita Oblast. The transition of the farms of the rayon to cooperative principles of managing production began in 1987. Kolkhozes and sovkhozes were transformed into primary cooperatives and last year, for example, there were already more than 300 of them in operation. The latter were organized into cooperative structures (cooperative farms). The formation of a new consciousness through self-awareness in specific independent activities was achieved through the



skillful organization of training, liberation from the shackles of the petitioner and the finding of a true economic inclination.

Now, of course, it is still too early to sum things up. The new is not coming into our lives without pain but it is proving itself. And the rayon party organization and soviets of people's deputies together are striving to analyze and overcome difficulties so that the sprouts of new economic relations will gain strength. The farms have already begun to reduce production outlays and nonproductive expenditures and during the last two years the profit and profitability of agricultural production have improved here.

Unfortunately, however, they do not operate this way everywhere. Some party committees became confused in this complex period and do not always find their place under the conditions of democratization and glasnost and the transfer to power to the soviets of people's deputies. And there are other reasons for this.

First of all, by no means everything has been done so that the peasant will achieve real independence, having the necessary conditions for highly production labor, and have confidence in tomorrow. Farmers are making considerable claims on financing and the material-technical supply of rural areas as well as on the assortment and especially the reliability of delivered equipment. The increasing cost of resources and services and the disproportionately low prices for farm output—wholesale and retail—are a heavy burden.

There are problems here, of course. These questions are being examined at the legislative and executive levels but they are being resolved only slowly. The draft Central Committee Platform speaks of the attitude toward these problems. It is natural that the realization of these tasks must be supported from below by economically competent management and a careful attitude toward physical assets and property. Many questions arise here as well.

As an analysis shows, the reduction of the rate of growth of the production of agricultural output in recent years has to do above all with deficiencies in the development of plant growing. The lag is becoming chronic in nature and this has a negative effect on the development of animal husbandry and other areas of agro-industrial production.

The country's grain problem has attained special political significance. Having enormous potential possibilities, the state was forced to resort to large purchases of grain fodder. It is necessary to examine the reasons for this situation separately. But the main thing is clear—the proper attention is not being paid to the grain problem in many regions. Many oblasts of the nonchernozem zone of the RSFSR, Urals, Western Siberia and Bashkirskaya and Tatarskaya autonomous republics reduced the gross harvest of grain by 10 to 28 percent in comparison with the level of the past five-year plan.

Some people explain this situation through the fact that the kolkhozes and sovkhoses have been given "too much independence" and that they themselves determine what crops to sow in what areas. Yes, this is so and there will be no return to excessive administration. But something is also clear: the reduction of the production of grain, however it may be justified, undermines the very basis for the development of agriculture. This truth must be well understood by party, soviet and economic bodies and not just by specialists and the farmers themselves.

For this reason, the main question is to interest the rural producer in obtaining grain and thereby accelerate the resolution of the grain problem in the country. A new price mechanism has now been worked out for all agricultural output and above all for grain as the most acute problem in our development. What is required is intelligent and creative organizational work in the masses and the complete uncovering of the possibilities of the grain grower. Everyone must constantly be concerned about him.

Where they act in just this way, they achieve rather good results. In the Ukrainian SSR, for example, the average annual production of grain in the first four years of the five-year plan increased by 23 percent in comparison with the 11th Five-Year Plan and the yield increased by 9.6 quintals per hectare. In the Kirghiz SSR, the figures were 29 and 3.7, respectively. In Voronezh, Lipetsk, Belgorod, Orel, Karaganda and Tselinograd oblasts, the average annual gross harvest of grain increased by a factor of 1.5 or more. On the farms of Rostov Oblast, the yield increased by almost six quintals per hectare and the production of grain by one-third. The party organizations of these and other regions are studying life in depth and are making well-conceived decisions on this basis. The party members here are not standing aside but are seeking to organize the complex links of grain production.

At the present time, work is being completed on the development of a specific comprehensive program to increase production and to improve the utilization of grain in the country. It specifies rather significant measures of an organizational and economic nature aimed at stimulating grain production. No farm, rayon, oblast, kray or republic can get along without specific programs for the production of output. As practice shows, they must be based on the improvement of production relations in the countryside and the assimilation of scientifically founded farming systems, scientific achievements and advanced experience and intensive technologies. The campaign against losses and the irrational use of resources should, of course, be thoroughly supported by organizational work.

Our unstable food market is especially sensitive to swings in the area of animal husbandry. It is important to note that this branch, beginning with the May (1982) Plenum of the CPSU Central Committee, has annually provided for a stable increase in the production of output. But the rate of growth is not adequate to our

needs. Beyond that, it has fallen noticeably in recent years and in the first quarter of the current year purchases of meat and eggs declined for the first time relative to the achieved level. For these and other reasons, the strain in the provision of the population with food is not decreasing.

The course of the performance of the decree of the CPSU Central Committee "On Serious Shortcomings in the Work of Party, Soviet and Economic Authorities of Chelyabinsk Oblast in the Assimilation of Economic Factors for the Intensification of Animal Husbandry" passed in 1987 was recently analyzed in detail. To a considerable extent, old approaches are being utilized in the style of the work of the obkom and rural party raykoms. The party committees frequently take on the functions of economic bodies and are continuing to resort to command-pressure methods of work. The established social-economic and agrarian commissions in the party obkom, gorkoms and raykoms are overstressed with labor turnover and paperwork, which does not have a positive effect on the branch. With the increased strain in the food market in the oblast in the first quarter in comparison with the corresponding period of last year, the production of meat itself declined by eight percent.

The production of meat was also reduced by three to eight percent by such large and industrially developed oblasts as Gorkiy, Perm, Yaroslavl, Ivanov, Sverdlovsk, Donetsk, Zaporozhye and Vladimir oblasts. Such a situation is especially unacceptable for regions with a very great economic potential. The organizations of the party in power must, of course, intensify the control over and responsibility of communist managers for this situation.

Specific programs are now being developed locally to increase the production of meat resources. It is important to help in the realization of specific measures by all collectives, emphasizing the intensification of animal husbandry and the production of fodder and an improvement of the efficiency of their use.

An increase in the production of output of animal husbandry is unthinkable without a better utilization of the potential of private plots. No new proof of their role in our society is required. But the economic interest of the peasantry is being developed and realized inadequately and more than one-third of rural families do not keep any kind of livestock. Many managers of different regions cannot by any means overcome the syndrome of mistrust toward the peasant commodity economy and family farms and are continuing to get along with general arguments on this account, whereas the situation requires action. This is also a most important part of the work in the countryside for all links of the party.

In developing the basic directions of contemporary agrarian policy, the CPSU is making a real assessment of the situation in which the countryside now finds itself. The migration from the rural areas has not yet been stopped. The rural population declined last year by

almost 800,000 people. The fact is that it is essential to keep in mind in particular the resolution of the tasks in the social development of rural areas and to be concerned at all times about their labor resources. The individual with his requirements and needs must be the focus of all policy.

The Commission on Questions in Agrarian Policy established after the November (1988) Plenum of the CPSU Central Committee has been organizing its own work taking into account the importance of the consistent carrying out of measures for the development of the country's food market. At meetings of the commission, they examined such vitally important questions as the restructuring of economic relations and the management of the APK and the social development of the rural areas and discussed proposals on new purchase prices for agricultural output, etc. With respect to the monitoring of the implementation of decisions by the party, there was a hearing in March of this year on the course of the realization of the outlined plans for the construction of housing and social-cultural facilities in the villages of the RSFSR and Belorussian SSR. P.I. Mostovoy, deputy chairman of the USSR Council of Ministers and chairman of USSR Gosstab, informed the members of the commission on the state of the material-technical provision of the APK.

Members of the CPSU Central Committee, scientists, specialists and managers are participating directly in the preparation of these and others questions. Such an approach makes it possible to make a real evaluation of how agrarian policy is being carried out, to see deficiencies and to have some influence in their elimination. In accordance with the results of the discussion, the commission presented the appropriate conclusions and proposals to the CPSU Central Committee and USSR Council of Ministers.

The granting of significant powers to labor collectives and peasant holdings arouses and strengthens their interest in the application of the achievements of science and advanced experience in production. A search is under way for better forms of integration in this direction. At the same time, more attention is being paid to ecological problems. The increased concentration of nitrates and pesticides in food products is most often the result of the incompetent and sometimes irresponsible use of mineral fertilizers and toxic chemicals. We apply considerably less of these chemical products than they do in developed countries. But the monitoring of their application must be strengthened and organized in a completely new way. This is matter of great national importance and requires special attention.

The agrarian policy worked out by the party affected the deep layers of economic relations in the countryside and awakened people to the changes and everything new that is brought about by perestroika. It meets the interests of rural workers and the entire nation. And this is the main thing.

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**Goskomstat Officials on New Forms of Agroindustrial Enterprises**

904B0219A Moscow *PLANOVOYE KHOZYAYSTVO*  
in Russian No 4, Apr 90 pp 106-112

[Article by L. Vashchukov, department director, USSR Goskomstat [State Committee for Statistics], and V. Nefedov, department director, RSFSR Goskomstat: "On The Operations Experience of Agroindustrial Associations, Combines and Firms"]

[Text] The development of agroindustrial integration is an important factor in improving the end results of the APK [Agroindustrial Complex]—The contribution of new formations in solving the food problem—The possibilities for accelerating scientific-technical progress, for implementing structural changes and for solving social problems in agroindustrial combines and associations—The development of self-management and the improvement of economic incentives is a requirement of the times.

With the variety of available approaches, a deterring factor within the restructuring of agrarian relations is the transition to primarily economic management methods, to the increase in independence and self-management, to the development of cooperative beginnings, and to the organization of integration ties in production, processing and sales of agricultural products. Domestic and foreign experience in agroindustrial integration attests to great possibilities for the development of the APK's production forces and to improving its end results.

Depending on conditions in specific regions and branch directions of agroindustrial production in recent years we have seen an intensive process of developing various formations—agroindustrial combines, associations and agricultural firms. Agroindustrial formations are complex single production-economic complexes in which extensive agricultural production, procurement, processing, storage, transport and sales of products are integrally related. Their basic task is to increase production of agricultural products and of high-quality food items on the basis of modern techniques and equipment, and according to the principles of cost accounting, self-financing and self-supporting production.

The basic functions of agroindustrial combines, associations and agrofirms include the following: improving supplies of high-quality and varied food products and consumer goods and providing paid services to the populations of the corresponding regions; increasing the effectiveness of production output, storage, processing and sale of agricultural products by means of complete waste-free use of these products and also by avoiding losses at all stages of the technological cycle; achieving balance in the development of all branches and industries; the introduction of the achievements of science and progressive experience and modern equipment and techniques in all branches.

The first agroindustrial combine, Kuban, was created in 1984 on an experimental basis. It is a production-economic formation that implements the production, procurement, processing, storage and sale (trade) of agricultural products and that services, first and foremost, the spa zone of Krasnodar Kray. The suburban Moscow agroindustrial combines, Ramenskiy, Kashirskiy and Moskva, were created in 1986; they were organized to improve food supplies to the populations of their rayons and Moscow.

In recent years the process of further developing agroindustrial combines in different parts of the country has continued. They operate on the same economic principles as the first experimental combines did but with a consideration of local structural features.

Agrofirms are being created and are functioning by means of the application of the basic principles of agroindustrial combines and the experience they have amassed. In contrast to combines, they are created on the base of economically-strong enterprises involved not only in production but also in the processing and sales of agricultural products. Thus, Adazhi Agrofirma of the Latvian SSR produces grain, potatoes, milk and other products that are processed in its own shops and on its own lines and sold through firm stores.

Other approaches manifest themselves during the process of developing agrofirms, as for example the simultaneous enlargement of enterprises. The firm combines a number of independent enterprises within itself. One of the first in the Ukraine is Prut Agrofirma, which was created on the base of Prapor Komunizmu Kolkhoz, Kolomyyskiy Rayon, Ivano-Frankovsk Oblast. It consists of five kolkhozes in the rayon, an interfarm enterprise for fattening hogs, beer brewing and juice extraction plants and the rayon communal agricultural farms. The firm has its own stores and a planning-building organization. Its main goal is to increase the production of agricultural products, to expand the volume of products processed and to organize firm trade.

The agroindustrial association (APO) is a completely new and unique organizational form of agroindustrial integration. In Tula Oblast the Novomoskovskoye APO was organized in April, 1987 as an economic experiment. It consists of 14 farms and six other enterprises and organization of the rayon APK.

The characteristic feature of the economic experiment within Novomoskovskoye APO was the extensive application of the principle of cooperation. The following cooperatives have been created within this association: farming, meat and dairy, production-technical, planning-construction and supply-sales. This form of organization provides the opportunity to utilize more thorough cost accounting independence in the organization of

production, in the sale of the products that are produced and in the distribution of cost accounting income. It also increases the responsibility of cooperatives as a whole and of each member separately as regards the end results of work.

By early 1989 the country had 155 agroindustrial combines, 128 agroindustrial associations and 118 agrofirms; in 1988 the corresponding figures were 52, 17 and 26. The existing agroindustrial combines include 1,128 agricultural, 250 industrial and 200 building enterprises, 54 trade organizations, 229 production-technical service enterprises and 160 other organizations. On the average for the year 796,300 workers were employed in these organizations.

Agroindustrial associations include 293 agricultural, 57 industrial, 30 building, 12 trade, 63 production-technical service and 29 other enterprises and organizations. The average annual number of workers in the association comprised 194,700 persons.

Agrofirms include 44 agricultural, 17 industrial, 5 building, 2 trade and 4 other enterprises and organizations. The average annual number of workers employed by agrofirms comprised 53,600 persons.

The country's agroindustrial combines, associations and agrofirms are characterized by different forms of operations—agricultural production, industrial processing of agricultural products, trade, production-technical services for basic production, and consumer and municipal services. However, their main activity is agricultural production (Table 1).

In a number of places agroindustrial combines and associations, having fulfilled the plan for the delivery of food items into general union and republic funds, have facilitated improved food supplies to the population at the place where they are located. For example, Meshcherskoye Agroindustrial Association of Vladimir Oblast has added to its balance a market where it sells meat products, vegetables and other products. Half of its commodity turnover structure consists of items it has produced itself. Commodity turnover in stores belonging to the association has grown noticeably; the effectiveness of utilizing market space is significantly higher than in the state trade network.

Compared to 1987, Kholer Agroindustrial Combine of Saratov Oblast has increased the sale of potatoes, vegetables and fruit by several times in kolkhoz markets towards an account of 30 percent of planned sales to the state. The combine's retail commodity turnover increased by 37 percent. Dmitrovskiy Agroindustrial Combine of Moscow Oblast assimilated the production of new types of products—kvass, doughnuts, figurine caramels, fruit syrup, confectionary items, ice cream and Adygey cheese. Moskva Combine concluded a long-term contract on vegetable and fruit deliveries with enterprises of Central Asia, the Transcaucasus, Moldavia and the Ukraine in order to increase the assortment and to produce better-quality products. Kashirskiy Combine

has expanded the assortment of vegetables it supplies for the market from six to 15 different types.

In agricultural enterprises that make up the 14 agroindustrial formations in the RSFSR that have been operating for over two years the resource potential is higher than on the average throughout the RSFSR: the former are better supplied with manpower and fixed capital. Production effectiveness is also higher—gross agricultural production output per unit area, labor productivity and return on capital is greater.

The results of the operations of the country's agroindustrial combines, associations and agrofirms during recent years attests to the fact that they are more effective than kolkhozes and sovkhozes.

For example, in 1988 combines, associations and agrofirms had much better indicators than kolkhozes and sovkhozes in both livestock raising and in productivity of grain crops, potatoes and vegetables. The production cost of products in combines and associations usually was considerably lower and profitability somewhat higher. This is attested to by the data in Table 2.

In agroindustrial combines and associations structural changes are taking place that are directed at eliminating disproportions between production spheres. Industry, construction and trade are receiving priority development, which is attested to by data from a group of formations in the RSFSR that have been in operation for over two years and in which capital investments directed at industry increased by 72 percent in 1988 as compared to 1987; capital investments into trade have increased by 74 percent, with total growth in these formations of 36 percent. Fixed production capital in construction increased by 49 percent, in trade—by 12 percent, with 8 percent growth generally. The average number of workers increased by 14 percent in trade and by 13 percent in construction as compared to by 2 percent in general throughout the formations.

This process is developing especially actively in Novomoskovskoye Agroindustrial Association of Tula Oblast. In 1988 investments into agriculture here increased by 81 percent, into industry—by a factor of 2.7, and into construction—sixfold; correspondingly the proportion of agriculture within total capital investments decreased from 88 to 74 percent, and of industry and construction increased from 12 to 20 percent.

Processing industry capacities in the agroindustrial combines of Moscow Oblast are growing strongly. In 1987 Kashirskiy Combine directed 4.4 percent of all capital investments into industry, in 1988 the figure was already 14 percent; in Ramenskiy Combine the corresponding figures were 2.2 and 15 percent.

In agroindustrial combines and associations a fairly large amount of attention is being given to the development of the social sphere. In formations in general in 1988, 244.8 and 55.2 million rubles respectively were directed into



this area (18.5 and 20.1 percent of all capital investments). This enables us to deal with many problems in the area of public health, culture and everyday life.

Agroindustrial formations extensively use the latest achievements of scientific-technical progress, both domestic and foreign, in their work, and establish close mutual ties with foreign partners in the area of production, scientific support and trade, which enables them to manage the enterprise on the level of contemporary world standards. For example, in 1988 Novomoskovskoye Agroindustrial Association, Tula Oblast, began the transition of all enterprises to a new technology for cultivating sugar and feed beets and corn purchased in Yugoslavia for its own hard currency. A preliminary examination of the technology for cultivating sugar beets in Kolkhoz imeni Lenin showed the possibility of increasing the productivity of this crop by 31 percent, of decreasing the production cost of a unit of production by 21 percent and of decreasing expenditures here by a factor of 2.

According to contract, Gubkinskiy Agroindustrial Combine of Belgorod Oblast supplies raw leather to the Yugoslavian firm, Astra, which in turn supplies agricultural machinery, equipment and sugar beet and corn seed. In addition, Astra sent its specialists to transmit its experience of cultivating agricultural crops and accepted Soviet specialists for training and familiarization with the Yugoslavian techniques for cultivating corn and sugar beets. This kind of mutually-advantageous cooperation enables the combine to increase the productivity of these labor-intensive crops and to increase production.

The improvement of production structure is continuing in agroindustrial formations. In the largest combine in the RSFSR, Kuban, a confectionary factory with a capacity of 15,100 tons of goods annually has been put into operation, the sugar plant and the tea and other factories have been renovated and reequipped, the building of packaging and dairy plants and factories for freezing products is proceeding. In order to equip processing and trade enterprises the combine purchases of imported equipment extensively. In Novomoskovskoye Association for the first time in agricultural practice a state-cooperative model of management has been implemented with a basic role played by the agroindustrial enterprise. Ramenskiy Combine has created a production trade association that includes 10 stores and cafe-ice cream shops.

The implementation of new agricultural policies is based first and foremost on the elimination of the existing administrative management system. A characteristic feature in this regard is the experience of Novomoskovskoye Agroindustrial Association. The democratization of management in the association has encompassed a wide range of action—developing public management organs, i.e. meetings of representatives with full authority and of administrations of associations, kolkhozes and cooperatives and councils of labor collectives; strengthening production-economic independence of enterprises within the association on the basis

of the expansion of their functions according to planning of ongoing production, land use, size of the herd, equipment and product sales; increasing the responsibility of directors of enterprises and cooperatives for the end results of labor; decreasing control-survey operations at all levels on the part of higher-standing administrative organs.

Public management organs in the association have been created on two levels—the meeting of representatives of enterprises with full authority and the association administration. Work experience shows that only jointly can we solve the problem of regulating wages, for example, depending on the contribution of every worker and collective, and to establish wages funds from gross income using standards that are differentiated by enterprise.

The principle for creating a management apparatus has changed. Its formation depends on the need of producers themselves, i.e., "from below" and not "from above," as was the case in the past.

The expansion of the economic independence of an enterprise that is part of an agroindustrial formation is achieved primarily through changes in the planning system. Combines and associations are assigned plans only for four indicators: the volume of product deliveries into the general union and republic funds; payments into the budget, appropriations from the budget; general wage fund; volume of material-technical resources. All the remaining indicators are developed and confirmed by the formations themselves. Its operations are planned as a single whole, which provides the opportunity to balance all plan indicators and to consider the special characteristics of all enterprises that are part of it.

Combines and associations have the right to use at their own discretion the products that remain after the fulfillment of planned obligations related to deliveries into centralized funds as well as other products, which stimulates each labor collective to work for the greatest return and inculcates the goal of large end results.

At the same time in a number of places financial, planning, supply, trade and other organizations in joint relations with agroindustrial formations violate the resolutions and conditions that have been established for them. Often the volume of deliveries into the general union and republic funds of meat, milk and other products produced by local organs is established at such an amount that there are practically no products left for trade in their own stores. Trade organizations often force agroindustrial formations to conclude contracts with them regarding the delivery of the full volume of products produced, thereby violating the right of combines and associations to use the products produced by them according to their own discretion, selling not only within the trade network of USSR Mintorg [Ministry of Trade] but also through their own retail system.

Of interest is the work experience related to production services in Novomoskovskoye Agroindustrial Association, in which according to a decision of fully-authorized

representative of the enterprises planning-building, production-technical and supply-sales cooperatives were created. State enterprises joined these with the rights of structural subdivisions subject to elimination. In 1988 in Agropromsnab [Agricultural industry supply association] a supply-sales cooperative was created. Its role includes: to significantly improve supplies of material-technical resources to enterprises within the association, to improve sales and exchanges of surplus material resources within the association and outside it, and to improve work with supplies of agricultural technology and so forth. The results for 1988 attest to the increased effectiveness of supply-sales activities. As compared to 1987, the volume of goods sold increased from 5.5 to 10.6 million rubles, or by a factor of almost 2, whereas the number of workers increased by 40 percent.

Within agroindustrial formations the principles of economic stimulation of production are changing and rights are being expanded significantly in the area of price formation. The delivery of agricultural products into centralized funds is reimbursed according to existing state prices; all remaining products sold through the organization's own trade network, in the market and through other channels are sold according to prices established by the formation or by contract. Here prices must reimburse production, storage, processing, transport and sales expenditures and also achieve the needed savings for expanding production. This principle of price formation stimulates the formation to constantly study the needs of the marketplace, to improve quality and to expand the assortment of goods.

At the same time it should be noted that agroindustrial formations, while achieving an improvement in their financial situation, are not working to decrease production costs as much as they are establishing higher prices than retail state enterprises at approximately the level of commission prices or in a number of cases higher. This can be seen from Table 3.

A basically new aspect in the organization of the entire economic and financial operation of agroindustrial formations is the development of financial-accounting centers which implement financial operations for enterprises and organizations that belong to the formation as well as for USSR Agroprombank [Agroindustrial Bank] and supply, trade and other organizations. A type of internal production bank is created in the agroindustrial combine or agroindustrial association.

Combines and associations have extensive rights to develop centralized economic incentives funds. In contrast to other state enterprises agroindustrial combines and associations can independently determine the size of deductions into centralized funds and confirm the resolution concerning their use. In case of production necessity, this provides the formation with the opportunity to centralize the corresponding portion of the assets of the enterprise or organization and to utilize them for common interests.

An assessment of the volume of centralized funds for production development in the group of RSFSR formations that have operated for over two years shows that the the proportion of centralized profits is increasing from year to year. Within the structure of production development funds the largest proportion is occupied by deductions from profits of agricultural enterprises; to some degree centralized funds are an additional channel for strengthening other branches of the formation at the expense of agriculture as the most developed sphere of agroindustrial combines and associations.

The process of agroindustrial integration on the base of combines and associations is becoming more widespread and extensive in the country. Agroindustrial formations create favorable conditions for the continued intensification, increased production, improved product quality and effectiveness of the work of the enterprises that belong to it. The results of the operations of formations confirm their vitality and possibility in addition to kolkhozes, sovkhozes, cooperatives, lease collectives and peasant enterprises to successfully deal with the most "problematic" question in the national economy—the food problem.

At the same time the contribution of agroindustrial combines and associations in dealing with this important task is still insignificant—no more than 3-4 percent of gross agricultural production and commodity industrial production. If we examine the geography of the distribution of formations we will be convinced that most of them are located in the Baltic Republics, Moscow Oblast, Krasnodar Kray and Stavropol Kray, i.e., there where the agroindustrial complex is most developed and where profitability is high.

The development of such combines and associations requires extensive material and financial expenditures; in connection with this their development without supplementary centralized investments in economically weak regions (Non-Chernozem Zone, eastern regions) is difficult.

The main task of the agroindustrial formation—to saturate the market with food products—is not implemented in full measure because of the weakness of the processing base. Domestic industry does not provide the manufacture of equipment for the processing industry in the necessary quantity and with high quality.

The efforts that are being expended to improve the structure of agroindustrial production have not yet resulted in balance among the spheres of operations of combines and associations. As before, agricultural production remains prevalent and the processing of raw materials and trade remain as weak links. Suffice it to say that in 1988 the volume of agricultural products in the group of RSFSR formations operating for over two years exceeded by 70 percent commodity production of industry whereas in the GDR, Czechoslovakia and Bulgaria, for example, 47-55 percent of production costs within the agroindustrial complex go into the sphere of processing agricultural raw materials and sale of food items, and only 33-39 percent into the sphere of primary production of food and raw materials.

With all of this, positive structural changes in agroindustrial formations are not occurring everywhere by far. With a growth in gross agricultural production in 1988 as compared to 1987 there was a decrease in the output of industrial commodity products in Kuban Combine of Krasnodar Kray, Kavkaz Combine of Stavropol Kray, Aksay Combine of Rostov Oblast, Volga Combine of Volgograd Oblast and others. In Volga and Izobilnoye combines of Stavropol Kray simultaneously with growth in fixed production capital for agricultural purposes there was a curtailment in the cost price of fixed capital of industrial enterprises.

The quality of agricultural products sold by combines and associations to the state often remains low. Thus, about 27 percent of the cattle supplied to processing enterprises by Belovskoye and Oboyanskoye associations of Kursk Oblast was lower than the average nutritional state and thin; 38 percent of the milk supplied by Roslavskiy Combine of Smolensk Oblast was second class and unclassified; and 10 percent of the potatoes and 11 percent of the waste products supplied by Cherepovets combine of Vologda Oblast were below standard, and for vegetables the corresponding figures were 14 and 12 percent respectively.

The counter-expenditure mechanism is still working poorly. In 1988 many combines and associations increased the production cost of agricultural products.

In many agroindustrial formations in the group of RSFSR combines and associations under examination the production cost of basic types of agricultural products is higher than the average for the region in which they are located. In 1988 the production cost of 1 quintal of grain (including corn) in Izobilnoye Combine comprised 11.0 rubles; on the average in Stavropol Kray—7.3. In Volga Combine of Volgograd Oblast the production cost of 1 quintal of sunflowers comprised 15.9 (oblast average—13.4), and in Izobilnoye Combine of Stavropol Kray—14.1 and 11.9 rubles respectively.

The greatest production cost of 1 quintal of milk in 1988 in the group of RSFSR formations under examination was in Volga Combine—37.9 rubles, and in the oblast—32.6 rubles; 1 quintal of weight gain in cattle—344 rubles in Moskva Combine and 305 rubles on the average in Moscow Oblast.

Some agroindustrial formations are refusing to process their products and to sell them. For example, within Tosnenskiy Combine of Leningrad Oblast in addition to 11 agricultural enterprises there is only one service organization. Trade enterprises are also absent in Livny Combine of Orel Oblast, Roslavskiy Combine of Smolensk Oblast, Kuznetskiy Combine of Penza Oblast, Dmitrovskiy and NaroFominskiy combines of Moscow Oblast and Spassk Combine of the Maritime Kray, and in Meshcherskoye Association of Vladimir Oblast, Belovskoye and Oboyanskoye associations of Kursk Oblast, Shuyskoye Association of Ivanovo Oblast, Yakutskoye Association of Yakutsk ASSR and Sunzha Association of Checheno-Ingush ASSR.

The economic mechanism and the entire system of economic interrelations within the framework of formations requires improvements; this is especially true in terms of the transition to economic methods of management. A selective survey conducted by RSFSR Goskomstat on the opinions of directors and of senior specialists of enterprises and farms showed that 93 percent of those surveyed feel that the existing management system limits economic independence. About 70 percent expressed dissatisfaction with the system of distributing material resources among enterprises and 50 percent are dissatisfied with the distribution of financial resources.

Of great importance is the development of economic incentives that orient enterprises that are part of agroindustrial combines and associations to implement progressive structural changes and the optimal coordination of branches.

The creation of favorable conditions is demanded for the introduction of lease contracts in enterprises that are a part of agroindustrial combines and associations, as is the elimination of the formalism that has been tolerated in this matter and that has aroused dissatisfaction in lessees. In particular, in the course of the survey conducted in 1989 by statistical organs the lessees who were surveyed in Kolkhoz imeni Krupskaya belonging to Kolos Agroindustrial Combine and in Shumerlinskiy Sovkhoz of Sura Agroindustrial Combine of the Chuvash ASSR noted unsatisfactory work under conditions of lease contracts. The reason for this is the poor organization of the work carried out by lessees, the non-fulfillment on their part of contractual obligations, inadequate independence and the interference of leasers in their production activities. As a result the lessees surveyed in Kolkhoz imeni Krupskaya do not plan to renew their lease contracts after they expire.

Special attention is required by the problem of increasing production intensification and of improving the quality of agroindustrial products produced and sold by formations. In addition to measures to strengthen their interest in this, combines and associations must cooperate in accelerating the introduction of intensive technologies in fields and on farms, in strengthening the base for storing and processing agricultural products, and in introducing progressive methods for storing and transporting modern equipment in industry's processing branches with the goal of solving these problems and easing the entry of combines and associations into the international market.

We must do everything possible to facilitate the development of economic conditions for competitiveness among agroindustrial associations, combines and other forms of management, keeping in mind that here powerful factors for accelerating scientific-technical progress and for counter-expenditure incentives will be included.

It is not excluded that agroindustrial formations may become the support, the base for the development of peasant enterprises.

Table 1

	1988					
	Combines		Associations		Agrofirms	
	millions of rubles	proportion, %	millions of rubles	proportion, %	millions of rubles	proportion, %
Production cost of all products (agricultural, industrial, construction, trade, services)	10,224	100	2,028	100	445.0	100
Including:						
Gross agricultural production	5,113	50.0	1,108	54.6	337.0	75.7
Commodity Industrial production	3,802	37.2	638	31.5	65.0	14.6
Construction-installation work	327	3.2	51	2.5	4.2	0.9
Volume of retail commodity turnover	477	4.7	127	6.3	19.8	4.5
Services	505	4.9	104	5.1	19.0	4.3

Table 2

	Agroindustrial combines	Agroindustrial associations	Agrofirms	Kolkhozes and sovkhozes
Number of formations	52	17	26	50,258
Including agricultural enterprises within them	1,128	293	44	—
Productivity of agricultural crops, quintals per hectare:				
—grains	26.6	20.8	35.8	16.8
—potatoes	107	100	156	97
—vegetables (open ground)	209	152	186	152
Average milk yield per cow, kilograms	3,204	3,080	4,105	2,798
Average daily weight gain, grams:				
—cattle	355	443	556	420
—hogs	378	352	481	246
Production cost of 1 ton in rubles:				
—grains	87	92	86	108
—potatoes	181	197	139	179
—vegetables	118	125	136	140
—milk	322	339	264	337
weight gain in cattle	2,611	2,682	2,159	2,725
hogs	1,619	2,125	1,573	2,075
Level of profitability of agricultural enterprises, %	33	33	30	31



Table 3 (in rubles)

	Price per kilogram		
	Agroindustrial formations	State retail	Commission
Shuyskoye Association, Ivanovo Oblast			
—Smoked sausage	11.70	4.30	12.30
—Ham	6.70	3.70	6.40
—Armavirskaya Sausage	7.50	2.70	8.00
—Ostankinskaya Sausage	6.50	2.90	7.80
Velikolukskiy Combine, Pskov Oblast			
—Tomatoes	2.90-3.50	2.50	2.80
—Defatted condensed milk with sugar	1.49	0.90	—
—Defatted packaged cottage cheese	1.72	0.64	—
—Vyatskaya sausage	2.00	1.40	—
—Dairy frankfurters	4.50	2.60	5.70

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### Historical Trends Cited in Debate on Formation of Peasant Party

904B0234A Moscow LITERATURNAYA ROSSIYA  
in Russian No 17, 27 Apr 90 p 4

[Debate by writers Anatoliy Lanshchikov and Mikhail Petrov: "Land and Power: We Need a Peasant Party! Two Writers Debate the Law on Land"]

[Text]

[Petrov] While welcoming the long-awaited law on land I cannot resist saying that in my opinion it was passed much too late. After suffering shortages of meat, milk and sugar and saying for 15 years how the peasant is alienated from the land, we nevertheless pass laws on cooperation and leasing first, allowing an entire group of people who have nothing to do with agricultural output get rich, and only then pass the most important law.

[Lanshchikov] Incidentally, in 1861 our countrymen similarly congratulated one another on the law abolishing serfdom. Although to be honest, their enthusiasm soon cooled off somewhat. I am not so sure our present joy will be more lasting.

We came essentially unprepared both to the congress and the law. When some important issue is being decided, it is always useful to turn to its history. In this case we should recall if not the times of Peter I or Alexander II, at least the era of Russian revolutions.

As is well-known, the bolsheviks called for the land to be nationalized, the mensheviks to be given to communes and the socialist revolutionaries to be made socialist property. After the October coup, a decree was passed which reflected the stand of the socialist revolutionaries,

not the bolsheviks. I do not know why it is called Lenin's decree. Thus, the cultivator of the land became its proprietor.

[Petrov] Land was merely promised.

[Lanshchikov] No, it was given away, if only briefly. In 1918, the government food agency was already created, and food quotas were imposed on the peasant, which meant a hidden nationalization of the land—by means of nationalizing not the land itself but the final product of the peasant's labor. Naturally, the total planted area shrunk immediately. At the end of the civil war, Trotskiy, in his Central Committee report to the 9th party congress, declared full militarization of agriculture. Only in 1921, under pressure from peasant revolts and anti-bolshevist uprisings, the New Economic Policy was introduced. Food quotas were replaced by a food tax, and from that time until collectivization we had socialist property on land—even though it kept being violated by arbitrary price setting. (Under the notorious "scissors" principle, prices for manufactured goods were kept artificially high and for food artificially low.) This too was a form of hidden nationalization.

[Petrov] Anatoliy Petrovich, I disagree that the high spirits after the 1861 proclamation were so quickly spent in Russian society. It was, in any case, a step forward. Especially in the development of agriculture. In non-chernozem Russia gradual specialization took place: the peasant began to grow what his land was able to produce better and what could be sold more profitably. The peasant began to shift to a more progressive system of multi-field farming, plant grass and use reasonable quantities of fertilizer. In addition, the peasant began to buy land: by 1917, wealthy planters held only 20 percent of the cultivated land.

[Lanshchikov] Mikhail Grigoryevich, first you used the word "gradually" and then jumped 50 years, from 1861

to 1917. All of Russia's woes stem from the fact that the land question was being solved far too "gradually."

[Petrov] I agree. The land question has been fateful for our history. But I spoke of the changes in agriculture and land cultivation occurring after the abolition of serfdom to show how horrible the consequences of collectivization really were. In essence, it set Russian agriculture back to 1861.

After Great Reform, the crop composition in central Russia began to change in favor of clover, flax, potatoes and grass. Farming began to tend toward animal husbandry. In 1910, only in Bezhetskiy Uezd, Tver Gubernia, 506 cooperative milk plants produced 36,000 poods of butter and 104,000 poods of cheese and sour cream. The lion's share was exported. The Russian peasant began to get rich.

Today, the fields and pastures of the birthplace of the Russian dairy industry, in Yaroslavl, Tver and Vologda gubernias, are flooded by the waters of the Rybinsk, Ivanovo and Uglich reservoirs. When in 1929 the land was nationalized once again, a shift from specialization to self-sufficiency began immediately. If the government needed corn to sell abroad, kolkhozes were told to plant more of it. Even today, half of the cultivated land in the non-chernozem region is taken up by corn. Orders from above banished clover and alfalfa, and the dairy industry began to wither while grass fields and pastures began to overgrow with trees. During the years of Soviet power, in Tver Oblast alone over one million hectares were lost. Does it mean something? Incidentally, the Tver peasant used almost no clover to feed his own cattle, since wild-grown grass was sufficient. Clover hay was supplied to Germany, whereas today we buy cattle feeds from America. Yet, today, we have a smaller herd in our oblast than before the revolution. Our land today produces neither corn nor milk, even though it is ideally suited for the needs of the dairy industry, and for cultivating flax and vegetables. Forced collectivization destroyed emerging specialization.

[Lanshchikov] I cannot agree with you entirely, since land nationalization has huge reserves for specialization. In Uzbekistan, for instance, the whole place is planted with cotton. This is also a form of specialization—but one imposed from above.

[Petrov] The Ukraine is planted with wheat, Kursk and Belgorod oblasts with sugar beets and Volgograd Oblast with tomatoes. This is state, or monopoly, specialization, which takes into account neither the environment nor the economic interests of the peasant. In the past, Voronezh Gubernia, for instance, grew not only wheat and beets but also anise, thanks to which Russia was in first place in Europe in anise exports. Peasants in Smolensk Gubernia specialized in raising flax and buckwheat. There even used to be a special Smolensk cereal, which was specially ground. Unfortunately, we know about it only from the Molokhovets cook book. The peasant must be able to plant what he wishes to plant.

Otherwise, the soul goes out of labor, as A.V. Chayanov once said. What kind of work is it, without soul?

[Lanshchikov] This is why the Molokhovets cook book is a historical document, or a monument.

Anyway, what is the state order if not a hidden food quota? It disrupts natural regional development. The peasant, in addition to food for sale, also used to supply a whole range of goods he needed for everyday life. He provided fully for his own needs, and also had goods to sell; in other words, he raised both cotton and fruit. Now in Uzbekistan there is no fruit.

[Petrov] By the way, czar Aleksey Mikhaylovich once tried to grow cotton outside Moscow. Agriculture was his hobby and, according to I.Ye. Zabelin, he raised citrus fruit in Moscow, albeit in semi-hothouse conditions.

[Lanshchikov] But this was not the rational use of land.

[Petrov] Who knows, Anatoliy Petrovich, who knows? In Holland, they raise grapes in hothouses and sell them to the French in winter. Given the prices which speculators from the Caucasus charge here, it might have been more rational not to sell gas to Europe but to build hothouses outside Moscow, using gas heat to grow cheap lemons and mandarin oranges.

[Lanshchikov] But let us return to the law on land.

[Petrov] The law states that the cultivator and proprietor has the right to own the agricultural output he produces and profits from its sale. In other words, he can sell it at market prices.

[Lanshchikov] The law is like a pole. You can't jump over it, but you can get around it. The state order has not been abolished, and it is unclear how we will be shifting to the new economic system. Thanks to state orders, even with the new law on land, land cultivators will be in an unequal position. Some will have state orders while others—lessees and farmers—will not.

[Petrov] Only to support the state agricultural agency, our oblast used to contribute R100,000-R120,000 a year. Does the law on land free them from this burden?

[Lanshchikov] Lessees will not contribute, will they?

[Petrov] They will, to support sovkhos officials. But it will be done in a hidden way. A sovkhos director in Toropetskiy Rayon, Tver Oblast, boasted about the great opportunities leasing would open to him. The sovkhos would buy gasoline at wholesale prices and resell it to lessees at retail prices. A ton of gasoline used by lessees will bring R150 of profits to the sovkhos. The sovkhos will buy milk from lessees at 40 kopeks, and sell it to the state at 80 kopeks. Is it not a tax, or speculation? The lessee has fallen into the net of our economic system of middlemen. And what about cooperators and future farmers, will they have better conditions? I am not convinced that they will avoid the yoke of the state or the middlemen.

Cooperators and farmers alone will be free from state orders. Thus, the new law may cause an even greater split in our society between rich and poor. Peasants will be divided into government, attached to the land and free.

[Lanshchikov] We live in the age of political parties. What is a party? It is a political monopoly. It aggregates citizens' constitutional rights to create a certain strike force in politics, just like a monopoly does in business. Practically all parties are anticonstitutional. We may live to see states without parties, but for now it is too early to think of it. Now, the issue is on the agenda to create a form of a political union to protect the interests of land cultivators. Even in the Supreme Soviet we see clearly who represents whom and who protects whom. Some protect cooperatives, for instances, others the working class and still others the creative intelligentsia. But there is no group protecting the interests of the peasantry, on whose fate our future hinges. (Kolkhoz chairman and sovkhoz directors form the core of the agrarian delegation, but they cannot be considered protectors of the peasantry.)

Before the revolution, land agencies looked after peasants. We cannot go back, but we could use the experience of land agencies to set up a public political organization to look after peasants' interests.

[Petrov] Unfortunately, those who make up our state superstructure are unable to grasp this.

[Lanshchikov] They may be able to grasp it, but unwilling to let the peasant grow wealthy.

[Petrov] The principle of our socialist state was to enrich the state by means pauperizing the working man, especially the peasant.

Our leading economists of today are for some reason unwilling to look at Russian economic history, preferring to study the experience of Western countries. Yet, we were not always as poor as we are now.

Russian milk cooperatives, whose founder was Nikolay Vasilyevich Vereshchagin, helped enrich the country by enriching the peasant. In particular, dairy plants were forbidden to use milk purchased at the market. Why? Because a pood of milk, when processed into butter and cheese, produced an additional ruble of profits. In other words, a middleman could easily become the owner of the profit without ever keeping a cow. Vereshchagin's cooperative statute cut off the middleman from the profit. Thanks to this, in a very short time period of 30-to-40 years, Russia became the leading butter exporter in the world. In 1910, Russia, i.e., the cooperative peasant, earned twice as much gold as all the gold mines of Russia produced in the same year.

What kind of cooperatives do we have today? They buy milk at 28 kopeks per liter and sell the ice cream they make from it to the children of milk maids and cattle ranchers at 50 kopeks per 100 grams. The peasant sees no profits from the sale of the final product.

[Lanshchikov] In conclusion, I would like to repeat one more time that without political reform economic reform will fade; it will be strangled both by those who have money and by those who have political power. To keep the peasant from succumbing to new servitude, that of a law-based state, we must think of establishing a peasant political organization, or a peasant party.

## AGROTECHNOLOGY

### Editorial Urges Republic Oversight of Pesticide, Agrochemical Use

90WN0188A Moscow ZASHCHITA RASTENIY  
in Russian No 6, Jun 90 pp 3-4

[Editorial: "Ecology and Pesticides: Emergency Situation"]

[Text] Late in March of this year the USSR Supreme Soviet's Committee on Questions of the Ecology and the Efficient Use of Natural Resources conducted parliamentary hearings on "Measures to Protect the USSR Population Against the Detrimental Effect of Pesticides and Nitrates When They Are Used in Agriculture." The deputies listened to statements made by administrators of the USSR Council of Ministers State Commission on Food Products and Purchases; the Agrokhim State Association; USSR Minzdrav [Ministry of Health]; GKNT [State Committee for Science and Technology]; USSR Goskomprirody [State Committee for Environmental Protection]; VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin]; specialists, scientists, and experts.

The speakers stated that the protection of the population's health and the environment against chemicals must be carried out at the state level. A. Kondrusev, USSR Chief Sanitation Physician, emphasized, "The situation should be viewed as an emergency one!" In recent years there has been an increase in the rate to which food products are contaminated by pesticides and nitrates, and as a consequence of this the disease-rate curve is climbing. This especially pertains to Moldavia, Central Asia, and the trans-Caucasus. One of the main reasons for this dangerous phenomenon is the inefficient use of chemicals, the violation of the rules for applying, storing, and transporting them, and the limited and obsolete assortment of pesticides.

The underestimation of the agrotechnical and other safe methods of protecting plants and the broad use of chemicals have contributed to raising the resistance that harmful species have to pesticides and to increasing the pollution of the environment. As a result, the frequency of detecting residual quantities of chemicals in food products has doubled or tripled in recent years!

Those who spoke at the parliamentary hearings noted that at the present time the producer bears practically no economic or legal responsibility for the quality of the output being delivered to the public. Billions of rubles

are being invested in chemicalization, but the damage from the incorrect use of pesticides and fertilizers is much greater.

No one at the parliamentary hearings called for the complete rejection of chemical means. It is impossible to get along without them nowadays. But it is necessary to enact the appropriate laws. Some of them have already been prepared, and others will have to be developed within the shortest period of time. USSR people's deputies expressed the opinion that most of the questions that have come to a head can be resolved right now. A special program has been prepared.

Yes, the problems in the protection of plants have accumulated. Many scientists and specialists link the unfavorable situation that has been created with the imperfection of the existing organizational forms of the state's protection service that became part of the Soyuzselkhozkhimiya [All-Union Agro-Chemical Association].

This, for example, is what USSR People's Deputy B. Satin writes. After the formation of the Selkhozkhimiya Association, the plant-protection services lost their status and became a departmental organization whose basic functions were determined by Selkhozkhimiya and were directed at increasing the volumes of pesticide use. The scientists' observations attest to the fact that the unskillful use of chemistry has led to a situation in which the resistance of many harmful organisms to pesticides and the expenditure of the latter have increased by a factor of many times, at the same time that the harvest losses have not decreased, but, on the contrary, have frequently shown a tendency to increase. In the developed countries of the world, the plant-protection service is an independent state organization. B. Satin emphasizes that the interests of the job at hand demand that it be separated from the agrochemical service and be given the status of an independent state organization under the USSR Council of Ministers State Commission for Food Products and Purchases, like the veterinary service.

VASKhNIL also proposes giving the state plant-protection service the status of an independent organization that is part of the USSR Council of Ministers State Commission for Food Products and Purchases, with its own network in the republics, krais, and oblasts by analogy with the veterinary service, and proposes giving it the name "USSR Phytosanitation Service" and providing the organization of a viable intrafarm phytosanitation service on kolkhozes and sovkhozes.

This is what Professor G. Medvedev, president of the All-Union Entomological Society (VEO), writes. The participants in the 10th VEO Congress are concerned about the progressively worsening state of the service to provide protection to agricultural plants and forests in our country. In the developed capitalist countries, increasingly strict requirements are being made on controlling the use of pesticides: monitoring (the supervision of the phytosanitation condition and the need to employ

protective means) has been introduced, as well as rigid control to check pesticide residues in food products, the soil, and water sources; to an increasingly broad extent, chemical methods are being replaced by alternative ones—agrotechnical, biological, genetic, and physical; and there has been a high volume of growing varieties that are resistant to pests and diseases. Our country's plant-protection serviced has been converted into a departmental organization, and its basic functions have been subordinated to increasing the volume of pesticide use.

The VEO president notes that, for various reasons, the plant-protection service has lost almost two-thirds of its specialists with higher specialized education. The positions of plant physicians exist on an insignificant number of farms, and among those working in this speciality, no more than 10 percent are certified specialists. Numerous recommendations by production workers and scientists concerning the fundamental improvement of plant protection in the country have not been finding support. As a result of what has been stated, it is proposed to separate the plant-protection service from the agrochemical service and to give it the status of an independent state organization under the USSR Council of Ministers State Commission for Food Products and Procurements.

Professor G. V. Gegenava is also upset by the situation that has been created in the service. In his letter to the editor, he asks, "Are we really to believe that our colleagues who are specialists in plant protection, and primarily the editorial office of ZASHCHITA RAS-TENIY magazine, which is the sole regulatory printed organ that serves this branch of science and production, will not raise a voice of protest?"

My dear Grigoriy Vlasovich, they are raising their voice! This is also attested to by the mail received by the magazine and by the items published in the central press. An article that is remarkable in this regard is the one written by VASKhNIL Academician P. Susidko, entitled "Protectionless Protection," which was published in SELSKAYA ZHIZN newspaper under the rubric "It Demands Decision." Here are a few excerpts from the article: "The fate of the plant-protection service in our country is much-suffering. There have been alternative peaks and valleys, and finally it has reached the point, one might say, of its complete disintegration," the author writes... "And yet, almost one-third of the agricultural output in our country is annually 'eaten up' by diseases and pests, and the sowings are sometimes greatly suppressed by weeds... Plant protection is a matter of extraordinary importance... The forced use of chemicals that create ecological and social danger can be weakened only by assimilating integrated systems... In 1979 the plant-protection service was subordinated to the Soyuzselkhozkhimiya Association and its administrators, as well as administrators of many subdivisions of agriculture, viewed the resolution of the problem of protection specifically in chemicalization... The payment for the



mistakes has been the sharp worsening of the phytosanitation condition of the sowings and plantings."

The scientist recommends taking steps immediately to take the "protectors" out from under subordination to Selkhozkhimiya at all levels—in the republics, oblasts, and rayons—and to reinforce the Green Cross farm services, and to organize a chief state inspectorate in this branch. This will make it possible in his opinion, to increase the ecological content of plant protection, as well as the effectiveness and competency of the management of the activities of the important and specific branch of agricultural production.

Recently RSFSR Gosagroprom issued the order entitled "Ways to Eliminate the Shortcomings in Supporting the Protection of the Environment and the Public's Health When Using Means of Chemicalization in Agriculture." That order states, in particular, that serious shortcomings have been noted in the republic in the use of mineral fertilizers and chemical means for protecting plants. There has been an increase in the rate to which pesticides and nitrates have been polluting the soil, open bodies of water, and subterranean water, and products of vegetable and animal husbandry in a concentration that frequently is dangerous for the health of human beings and animals.

The chief reasons for pollution of the environment and agricultural output are the irresponsible attitude taken by the administrators and specialists at the farms and agroindustrial formations to this important job; and the crude violations of the technology for the use, transportation, and storage of plant-protection chemicals, mineral fertilizers, and other means of chemicalization.

The order stipulated a number of steps aimed at preventing the pollution of the environment and the agricultural output by residual quantities of pesticides, nitrates, and other toxic substances. The State Plant-Protection Service has been isolated from the makeup of the republic-level (ASSR), kray, oblast, and rayon associations of Agropromkhimiya. It has been established that the protective measures are to be carried out only under the guidance of specialists having certificates that

grant them the right to work with pesticides. Kolkhozes, sovkhozes, and other consumers that do not have storage facilities that have been inspected and certified by the sanitation service for their storage, or responsible individuals who have undergone special training, are banned from purchasing chemicals to protect the plants.

The same order stipulates the development of a program for building and activating biolaboratories of republic-level (ASSR), kray, and oblast plant-protection stations and rayon reporting and forecasting points; the submittal for approval of a Statute Governing the Plant-Protection Station; and the making of recommendations concerning the payment of the labor performed by the specialists in the state's plant-protection service.

A good initiative has been demonstrated by RSFSR Gosagroprom. But how will the other union and autonomous republics, krays, and oblasts respond to it? It is important for those comrades upon whom the decision-making will depend to take a completely responsible attitude toward this question. There is only one alternative to the chemical method—the integrated protection of plants. Pesticides must be used only when other methods and means have failed to produce the desired results and then only on the basis of the careful study of each field with a consideration of the size of the harmful and useful species, and on the basis of the economic thresholds for the presence of pests, with the strictest observance of the standard procedures and technological schemes. Then we shall not have any repetition of those undesirable negative situations that arise when chemicals are used as a panacea to cure all misfortunes.

And there is one more important question. The only person who can use the integrated plant protection is a specialist with the appropriate area of specialization. That is why it is important for every intensive-type farm to have this kind of person. His labor will repay itself a hundred-fold: both by the harvest that has been protected against losses, a harvest of ecologically pure produce, and by the health of human beings and the environment.

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## POLICY, ORGANIZATION

**RSFSR Trade Minister on Sector's Restructuring**

904D0162A Moscow ARGUMENTY I FAKTY  
in Russian No 27, 7-13 Jul 90 p 4

[Interview with P. Kurenkov by I. Morzharetto; date and place not specified]

[Text] *The new premier has announced that in a few days the entire cabinet of Russia will be dismissed. What has it been doing recently, and how is the republic's economy being prepared for the transition to market relations? Our correspondent, I. Morzharetto, met with P. Kurenkov, RSFSR Trade Minister, and asked him to explain the condition of Russian trade as it is about to enter the market.*

[P. Kurenkov] With the help of specialists, since the beginning of the year we have been working on a set of documents for converting the sector to market relations. We are ready to put six of these documents into effect when the supreme organs of Russia pass a decree on the transition. However, we are concerned about the deadlines for introducing the new economic mechanism. The USSR Supreme Soviet will turn to this question in September, after the union republic supreme soviets make the appropriate decisions, but time and the situation will not wait. This creates further imbalances in the consumer goods market. Delivery discipline is on the wane. Economic sanctions for failure to deliver goods are practically inoperable.

[I. Morzharetto] What, in your opinion, are the first steps to be made in the transition to market relations?

[P. Kurenkov] First, practically all cadre have to be retrained. The next step is to denationalize state trade and food service enterprises. The state should retain ownership of stores selling jewelry, alcoholic beverages, enterprises engaged in public food service, in providing services to pupils and students, and of wholesale enterprises and cold storage facilities. Other enterprises in retail trade and public food service are to be based upon various forms of property: state cooperative, collective, worker partnerships and individual.

State-cooperative enterprises should be set up on a contractual basis by merging the property of state and cooperative enterprises. Such associations can be organized on a multilateral and multisectoral basis (for example, enterprise in industry—trade—cooperative, or enterprise in trade—cooperative—public food service enterprise). The organizational form for a state-cooperative enterprise may be an association or concern, depending upon its purposes.

Collective ownership may be in the form of an association of lessees, a leased enterprise, joint stock company or worker partnership. Already 11 percent of our workers are working in leased enterprises.

Property may become collectively owned by being purchased by collectives working on family contract. Individually owned property may be acquired in the legally established procedure by leasing buildings, equipment and inventories from local soviets (or state enterprises). It is also possible to turn privately small and medium sized cafes, snack bars and stores into stockholder held units.

[I. Morzharetto] Who will handle questions of price formation, or will each independent enterprise set its own prices?

[P. Kurenkov] A reform in price formation will make it possible to create dynamic equilibrium between supply and demand. It is proposed that at the first stage consumer goods and means of production be divided into three groups on the basis of price levels.

**The first group** is vital necessities, for which, as previously, there will be state orders and state fixed prices. This group includes: a large share of foodstuffs (meat products, dairy products, eggs, fish products, vegetable oil, margarine, sugar, tea, flour, macaroni), items made by light industry (fabrics, sewn goods, knitted items, stockings and hosiery, leather, rubber and felt footwear and headgear), consumer durables, furniture, refrigerators, washing machines, irons, wall-paper, matches, chinaware, school and stationery supplies, children's prams, toys, perfumes, soaps and detergents, kerosene, construction materials, lumber, pipe, plumbing accessories and slate.

**The second group** of items will be sold to customers at so-called regulated prices with upper limits. Here we include: sewing machines, vacuum cleaners, electric samovars and electric tea kettles. TVs, tape recorders, radios, electric lighting, glassware, stainless steel items, paints and enamels, umbrellas, sporting goods, bicycles, some foodstuffs and other items.

**The third group** will include items sold at freely set prices. All economic relationships will be formed and regulated by supply and demand. In this group we will include decorative jewelry, furs and fur items (other than caps), automobiles and motorcycles, cameras and accessories, video tapes, musical and other items.

[I. Morzharetto] Peter Ivanovich, it will then be profitable for trade enterprises to sell only items in the third group. For example, why will the owner of a small store deal with rubber footwear, for which the prices are set? He will prefer to sell only expensive footwear and set a high price for it.

[P. Kurenkov] The retail price for items is based upon their wholesale price and the so-called trade markup. Today in our country, trade receives an average of seven percent of the cost of items (in the West it is 20-30 percent). This goes for transportation, packaging, trade enterprise overhead and workers' pay. Because prices for the first group will be set by the state, it would be rational to also determine the trade markup. According to our

calculations, the optimal level should be 10 percent. The markup for goods in the remaining groups should be set independently by the trade enterprise at a level providing it with a profit.

[I. Morzharetto] A flexible tax system should help make trade efficient and profitable.

[P. Kurenkov] Who will agree to transport items from Moscow or Kostroma to Kolyma, when they can easily sell it in the neighborhood store? Therefore, we propose taking this into consideration in drafting a republic tax law. Enterprises supplying items to these regions should have tax benefits or not be taxed at all.

Finally, a retail economy is impossible without a developed banking system. The existing one is insufficient. The state should provide incentives for the development of commercial banks. However, the present system of taxation for such banks, associations, joint stock companies, etc., only strangles them, as the norms for the payment of profits to the state budget have been set at 60 percent since the beginning of their activities.

#### MSSR Market Problems Examined

904D0140A Kishinev SOVETSKAYA MOLDAVIYA  
in Russian 12 May 90 p 2

[Article by V. Kondrakov, chief of administration of the MSSR Ministry of Trade: "What Ails the Regional Market"]

[Text] Despite the fact that during the years of perestroika many radical measures for transforming the country's economy have been implemented, the obsolete economic mechanism continues to aggravate the disproportions in development, including in the social sphere. The gap between effective demand and the possibilities of meeting it has not only remained, but has increased significantly. The population's demand for consumer goods both in terms of the total volume and assortment has not been met.

Until recently the problem of crisis in trade was bypassed and only its external aspects were touched upon with the hope that everything would be settled when there is an abundance of goods in our country. The attempts to stabilize the situation on the consumer market with one-time purchases of imported goods, especially in 1988-1990, showed that crisis phenomena in trade were underestimated. As a result, reform in trade was the last to be carried out, that is, after its implementation in all sectors. And often it was based on forced actions, which brought about an accelerated development at the second reform stage of organizationally necessary, as well as commercially acceptable, forms of trade management—economic methods and leasing relations.

The changes occurring on the republic's consumer market are manifested primarily in the development of

the retail trade turnover—the basic generalizing indicator of activity of state and cooperative trade. During the current year of 1990 the volume of the retail trade turnover in the MSSR will reach more than 6,000 million rubles. Nevertheless, despite this in the last two or three years the situation has become greatly aggravated, which has brought about a decline in the level of satisfaction of demand from 89.8 percent in 1987 to 79 percent in 1990. This means that at the beginning of 1990 in terms of the total volume goods worth 1,542 million rubles, including foodstuffs worth 402 million and nonfoodstuffs worth 1,140 million, are lacking to fully meet the demand by the republic's population.

At the same time, at present the republic's trade sector could substantially raise the level of satisfaction of the population's demand for the consumption of goods and to significantly alleviate and stabilize the sociopolitical situation. However, the existence of a number of problems on the consumer market hinder this capability of the sector.

Among acute market problems the imbalance of the supply of and demand for goods in terms of the total volume should be included among the most significant ones. At the same time, during this period the retail trade turnover has risen to 29.5 percent, which is 2.4-fold more than the increase in the delivery of goods. The outstripping rate of growth of the trade turnover, as compared with the delivery of goods, is ensured basically owing to decentralized purchases and internal production of goods, increase in the sale of agricultural products purchased at agreed prices to the population, and drawing of available commodity trade stocks into the trade turnover. The process of drawing commodity stocks into the trade turnover significantly increases and expands interruptions in trade in goods.

These data point to the development of inflationary processes in the republic. The intensification of these processes is confirmed by the data of the MSSR Savings Bank. In 1989 the population's deposits in savings banks increased by 654 million rubles and at the beginning of the current year the balances of deposits reached 3,884 million. At the same time, every ruble of cash deposits is secured with commodity trade stocks worth only 19 kopecks and with due regard for the money available to this population this indicator is even lower.

In 1990 the situation on the commodity market will be aggravated even more. For example, whereas in 1989 the production of consumer goods rose 7.2 percent and the trade turnover, 11.3 percent, in 1990 with a planned growth of 12.1 percent in goods production the development of the trade turnover is planned with an increase of 17.4 percent. The basic contradiction between the growth of the population's monetary income and the possibilities of satisfying it in terms of basic consumer goods is inherent in this ratio. Therefore, there is increased tension not only owing to the insufficiency of commodity resources in terms of the total volume, but also in terms of the assortment structure. Precisely this

has a negative effect on the circumstance that the republic holds the seventh place among the Union republics in the per-capita trade turnover, including the ninth place in the purchase of foodstuffs and the sixth place, of nonfoodstuffs. The consumption of many consumer goods greatly lags behind the all-Union level. Out of 35 types of foodstuffs, which are observed by the USSR State Committee for Statistics, in terms of average per-capita consumption the republic lags behind the USSR level in 30 items. Even in such food products traditional for Moldavia as fresh and canned vegetables, fruits, and berries, as well as grape wines, the republic holds from the third to the ninth place in per-capita consumption among the country's Union republics. Out of 42 nonfoodstuffs the republic lags behind in 25 items. This is also aggravated by the fact that every sixth enterprise located on the republic's territory does not produce such goods.

Such a negative tendency, which is turning into a problem, as the decline in the prestige of trade and public dining workers' labor has also appeared in recent years. This problem exists, because here, as compared with other sectors, wages are very low (in the last five years they have increased by only 39 rubles, totaling 168 rubles in 1989). The provision of enterprises with technological trade equipment is insufficiently low and labor mechanization in wholesale trade makes up 31.7 percent, in retail trade, 27.8 percent, and in public dining, 12.2 percent. If we take into consideration that out of the 40,000 people working in the sector women make up four-fifths and to this day goods are received in big packages—50 kg and more—the importance of this factor in the prestige of the occupation is more than evident. The provision of workers' families with preschool children's institutions and housing is low. Of course, all this demonstrates the destructive effect not only on the prestige of the occupation, but also the direct effect on the growing personnel turnover. In the last five years the replaceability of personnel in the system of the republic's Ministry of Trade alone has comprised 22 percent annually.

Under conditions of the existing economic mechanism the formed administrative system of management has proved to be too cumbersome and inefficient. The practice of realization of the decree "On Improvement in the Economic Mechanism" has shown that the present structure of administration is one of the main hindrances to an expansion of new management forms in primary trade links. Therefore, by the present period of economic reform the following forms of economic mutual relations most promising for the immediate period have become clearly visible in trade: leasing and family contracts, collective material interest, and commodity and territorial associations of means and results of production and other economic activities in the attainment of a diversity of relations of ownership.

The formation within the framework of socialism of a system of leasing relations, which would encompass both various levels of intraeconomic relations and relations of

enterprises and associations with corresponding levels along the vertical line, is one of the most important directions in the restructuring of economic relations.

Attention should be drawn to the fact that presently developing leasing elements often affect only some rights of workers and their collectives in the area of management organization and labor stimulation. Therefore, at the first stages in the development of these relations it is extremely important to clarify the basic parameters, criteria, and directions in their formation and to cut off the attempt to replace leasing with its semblance, or with all sorts of substitutes, having in mind, of course, the stages in and gradualness of the process of expanding and intensifying leasing relations.

Enterprise leasing, as a form of restructuring ownership, represents a significant element of present economic reform in the USSR and is inseparable from it. Essentially, leasing means the emergence of a new form of ownership. At the first stage primarily small enterprises were transferred to leasing. There with its help it was simpler to ensure the most efficient interaction of public, collective, and personal interests. The results of work at such enterprises brought about the development of leasing relations at large enterprises and entire trading organizations of city and rayon subordination.

In the system of the MSSR Ministry of Trade as of 1 January 1990 the proportion of leasing collectives reached 11 percent and their share in the trade turnover, 37 percent. The increase in the trade turnover in leasing collectives in 1989, as compared with 1988, made up 15.4 percent, which was 3.5 points higher than the increase throughout the system. The average monthly wages of shop assistants in leasing collectives are growing at more outstripping rates.

The practical experience under conditions of mutual leasing relations of united management No 4 in the retail trade Promtovary Association in Kishinev seems interesting. The management was transferred to the leasing contract as of 1 January 1989. When the leasing contract was drafted, a number of points increasing interest in final work results were introduced into it. They envisage lessees' right to make fixed contributions and in agreement with the labor collective to receive five percent of the income from them at the end of the year. Fixed contributions are intended to cover unforeseen expenditures and losses based on the results of economic activity and are used as internal circulating capital.

In leasing collectives new forms of collective social responsibility for the preservation of socialist property emerge and, at the same time, the problem of strengthening labor discipline and raising the standard of services for the public is solved. Waste and pilfering have been virtually eliminated in leasing collectives, because the collective's income fully makes up for them, which, in turn, lowers wages. Comparative data on the work of collectives with leasing and ordinary forms of mutual relations fully confirm this.



Practice shows that many organizational and methodological problems of the existing system of leasing relations require modification and refinement. First of all, determination of optimum leasing periods is an important element in development. An insignificant leasing period, which is presently applied, does not stimulate collectives to invest funds in strengthening the material and technical base. A five-year leasing period with a subsequent transition to 20- or 30-year contracts is optimal.

Contradiction with existing management conditions, primarily with the "no man's" form of ownership, has become the basic deterrent in the development of leasing relations in trade.

Under leasing conditions an objective contradiction between the striving of enterprises for economic independence and its restriction on the part of the sectorial management system is manifested graphically. In order to resolve this contradiction, it is necessary to change over from lessees' relations with a superior organization (lessor) to the lessee's relations with the state in the person of the executive committee of the soviet of people's deputies.

The results of the sector's work under the new conditions of management point to their definite effect on heightening the interest of labor collectives in increasing income and in strengthening economic reserves and labor, material, and financial resources in the sector. Work on searching for and utilizing additional reserves of consumer goods and on forming new economic and managerial ties has been activated.

At the same time, as practice has shown, economic methods of management have aggravated the problems hindering an increase in the efficiency of the economic mechanism.

To this day practice does not have scientifically substantiated criteria, normatives, and recommendations for the selection of specific organizational solutions under conditions of an all-around improvement in management and economic reform. Therefore, the conclusion should be obvious: It is necessary to activate theoretical and methodological investigations of problems concerning the development of organizational structures and forms of management organization in trade at all levels and in all links.

Thus, further advanced changes on the regional consumer market expand the possibilities of intensifying the transfer of the republic's trade sector to economic methods of management and make it possible to intensify work on improving them, including a general introduction of leasing relations, as a promising form of labor organization in trade.

## GOODS PRODUCTION, DISTRIBUTION

### Workplace Distribution, Speculation Examined

904D0199A Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 6, Feb 90 pp 6,7

[Article by Yelena Kolesnikova: "Selling at Enterprises Is Presented as a Form of Just Distribution of Deficit, But in Reality It Benefits Speculators; If We Do Not Abolish It Today, Tomorrow We May Have to Live by the 'All Power to Coupons' Principle"]

[Text] Two years ago, when store shelves in the capital were not as empty as they are now, I sat in a small office at No. 38 Petrovka Street waiting for a telephone call. The call was a signal for me, together with an employee of the BKhSS [Struggle Against Theft of Socialist Property] Department, to set out for the Moscow enterprise where the GUM [State Department Store] was selling imported deficit goods such as footwear, clothing and cosmetics.

It is probably not worth describing events that took place that day. We saw speculators storming the entrance and later leaving laden with boxes and packages. We saw tears and ugly scenes of discord at the collective: there was not enough for everybody.

Filled with images of what I had seen I returned to No. 38 Petrovka Street. A. Loginov, BKhSS GUVd [Main Administration of Internal Affairs] chief investigator, provided background information:

"Once the resolution on 'Berezka' stores was issued," Aleksandr Ivanovich told me, "speculators changed their tactics and focused on workplace distribution. They can get in everywhere, even secret military enterprises. Some assume guises, dressing in work uniforms, grabbing a coil of wire and shouting: 'Make way for the plumber.' Others buy up coupons for deficit which some organizations issue to employees. Rates, depending on the quality of goods, fluctuate between R10 and R50 per coupon. Still others bribe truck drivers and gain access to the plant territory in sealed trucks."

My old notebook contains other entries. I have, for instance, economists' forecasts for the near future. The sale of deficit goods at enterprises would quickly empty store shelves. Back then, only footwear, clothing and cosmetics were sold at the workplace, but they warned that everything, even soap, would soon be available only at enterprises. (They were right, of course.) People would not see more goods on the shelves no matter how hard industrial enterprises would work. The problem that was strictly economic in nature would become political: people would start comparing the years of stagnation with the years of perestroika—not in favor of the latter, of course.

Sociologists also contributed to the discussion. A society distributing deficit goods by means that are not very just (even if there is no wholly just method) would suffer

morally as well. Many would fight with one another, and quarrels, moreover, would not be taking place in lines, among strangers, but at labor collectives.

The example set by the capital would soon be taken up elsewhere. Sale at the workplace would be adopted in other cities. These forms of distribution would engender similar ones, the country would become addicted to coupons and then, God forbid, it might even come to selling goods upon presentation of passports.

Let me remind you that these notes were taken several years ago. They refute the proverb stating that no prophet is recognized in his own land. How often we lament that we cannot peek into the future and see how today's problems will turn out. It seems that back then we could. But what good did it do us? Otherwise, I would not have to come back to Petrovka Street, to the same small office.

Once again, I discussed the "benefits" of trade at the workplace with A. Loginov. Once again, Aleksandr Ivanovich suggested that I go to an enterprise with a group of operatives and see for myself that no change for the better had occurred. As before, stores are reluctant to provide information to BKhSS employees about upcoming outings, and they are no longer able to cover all the sites. It used to be that only the large stores sold at enterprises, whereas now almost all do.

I do not doubt that speculators are thanking their lucky stars for this lucrative and for all intents and purposes safe method to turn a profit. Where else but at an enterprise could citizen Pakhomov acquire some 30 knitting machines in a short period of time and escape justice? He would never have been caught had he not started to sell knitting equipment right in front of the electric appliances store. Should I mention other examples of irregularities accompanying such trade? Need I describe the surprise of ordinary employees of the Moscow-Rizhskaya freight station when they saw fur coats costing R6,000 each delivered to their enterprise? Naturally, the lion's share of these immediately fell into the hands of speculators.

In the past 1.5-to-2 years, 18 speculators have been charged with reselling goods purchased at workplace sales. Almost R1 million worth of goods, valuables and cash was confiscated from them. And how many speculators were not caught? Need I explain how difficult it is to identify wheeler-dealers hanging around research institutes, engineering design studios, plants and factories?

The reader could criticize me for blaming everything on speculators. They are not responsible for deficit goods; on the contrary, goods shortages swell the ranks of illegal businessmen. On the other hand, consumers gain from workplace sales: they do not have to stand in line and make the rounds after work in search of deficit goods, since they can buy many things without leaving their plants.

In this case, let us look at the situation through the eyes of the consumer. To be fair, I will have to admit that indeed there is no need now to make the rounds of the stores in search of deficit goods: they no longer can be found there. In 1986, sales of especially desirable deficit goods at Moscow enterprises netted R83 million, but in the subsequent years sales volumes rocketed: R200 million in 1987, 617 million in 1988 and R1.6 billion in 1989. The choice of goods sold outside stores broadened. I find it hard to name a type of merchandise that has never been sold at enterprises, with the possible exception of shoe laces.

The workplace distribution norm is R250 worth of deficit goods annually for every Muscovite. But not every Muscovite is covered by this system. Schools, hospitals, libraries, preschool facilities and higher education institutions are excluded. This may be the reason why employees of such organizations have a different view of social justice than, for instance, workers of industrial giants where stores come frequently. And even the lucky ones who have access to deficit goods are not uniformly happy. One person may need boots but instead get refrigerators at his plant; another may buy a television set instead of an overcoat; someone else may sign up for furniture even though his apartment is already furnished well. People do not buy what they need but what comes to their enterprise. Amazing notices are found near the House of Furniture store on Leninskiy Avenue. Some want to exchange a kitchen set for a refrigerator and a video cassette rack, others a bedroom set for bathroom fixtures.

I confess that at first I collected such notices assuming that in a few months they would become a kind of collectors' items from the age of irrational distribution. On the contrary. Like an epidemic, barter has spread to cover a broad variety of goods such as blenders, coffee mills, washing machines, footwear and clothing. It seems that barter, the early form of commercial relations in society, is coming back. Contrary to reassurances by historians and political economists, it did not disappear with the feudal system but assumed a new meaning.

It would have been funny had it not been so sad. Today, specialists have identified **approximately 20** means of buying goods besides the open trade channels. Passports and visiting cards are in use in Belorussia and the Baltic, and Leningrad is not far behind its neighbors. Some people can buy furniture and sophisticated consumer electronics by signing up in advance. Entire groups in the population have special privileges in distribution, from war veterans, large families and honeymooners to diabetics. Some buy deficit goods in exchange for recycled paper, others for other recycled products. There are even coupons which have been nicknamed "bones." By selling cattle bones to the state you can buy an imported product. I do not even want to mention ordinary coupons for sugar, soap and food; everyone knows about them nowadays, even children. There is no need to

discuss in detail advantages and drawbacks of each form of distribution. Let me mention only the major characteristics.

When goods are not sold but allocated (without well-researched criteria), the principle of material incentive to work is violated. No matter how much or how little a person works, he gets a strictly defined ration of material goods. The remaining money either settles in savings accounts or is spent on goods which may not be really needed. To use the language of specialists, it intensifies the deficit effect. According to the calculations of the all-union institute for the study of consumer demand for consumer goods and trade conditions (VNIKS), in the first half of 1989 the coefficient of goods availability at the market was 94 percent compared to the same period of 1988, whereas the coefficient of availability of goods in consumer trade was only 64 percent. In other words, **last year, one third of goods was not sold in open trade.** Let us look at the assortment of goods. Out of over 1,000 types of consumer goods, only 60 types were available on the shelves consistently. This artificially-created deficit totaled R40 billion, of which some R12 billion were cultural and everyday, as well as household goods.

The consumer assessed the situation instantly and reacted to it with panic buying, by making unplanned purchases and buying goods for future use. Here is one example. Last year, the average family stocked nine kilos of sugar and two kilos of laundry detergent and soap. According to the VNIKS poll, **in 1989, 9 out of 10 people were stocking goods for future use, compared to only one fourth of respondents a year ago.** One half of respondents admitted that they saw the chance to buy any good as a great piece of luck.

Let us return to the subject of justice in distributing material goods. According to VNIKS trade correspondents, at over one half of the 100 cities surveyed sewing and washing machines, soft and structured furniture, refrigerators and freezers are sold for enterprise coupons, on orders and with advanced registration. However, only one tenth of respondents have access to these forms of distribution. It is no accident that respondents put social injustice in third place on the list of most acute problems of the market, immediately after rising prices and low quality of goods. Excluded from consumer trade, residents of these cities are forced to buy what they need at the black market, from individuals or through acquaintances. Shoes, sewn and knitted garments and children's clothing are most frequently purchased in this manner, for one third above their real prices.

There is no need to reiterate how much speculators like such conditions. But I am convinced that it is necessary to cite examples showing their intimate relationship with trade employees. The USSR Ministry of Trade order "On the Order of Sale of Deficit Goods and Measures to Stop Concealment from Customers" set penalties for concealing deficit goods. But elsewhere in the same order stores were permitted to stock goods for sale at enterprises and for other purposes. Who can figure out where

stocking stops and concealment begins? For instance, K. Ignatyeva, former director of the textiles department at the TsUM [Central Department Store], quickly figured out that sale at enterprises had many advantages over the old way. She stocked goods and bought them back while selling them at enterprises. In a short while she bought up R70,000 worth of goods. She would never have been caught had she not decided to sell deficit goods directly at the shop floor—at speculative prices, of course.

The opportunity to conceal large shipments of goods has given rise to special types of speculators, those who buy wholesale. They are able to stock goods worth considerable sums of money, up to R20,000-R30,000. This is comparable to the inventory of an average state or cooperative store.

While gathering material for this article, I called directors of 20 Moscow stores. I wanted to find out whether stores profit by selling at enterprises. Only one manager admitted frankly that he was tired of selling at enterprises and that it was time to abolish this new form. However, he asked not to be quoted by name because his fellow directors might misunderstand him. The other answers were surprisingly uniform.

"Women's councils and trade unions have often thanked us," said G. Peregodova, director of "Yadran." "People are glad to be able to buy deficit goods without standing in line. Were we to sell it in the store, shoppers would kill each other for it."

One cannot help rejoicing for Galina Ivanovna who takes the interests of Muscovites so close to heart. Or sympathizing with her: she puts together three or four location-sale teams every day and sends off some 20 sales clerks. Four ravens are linked to "Yadran" and it is not so easy to serve them all. Sometimes clerks have no time for lunch, and work without breaks. Clearly, we still have people in our midst who spare neither time nor effort to satisfy material wants of their neighbors without any tangible reward for themselves.

"For retail organizations, selling at enterprises is not lucrative economically," said Yu. Khimonin, director of the USSR Ministry of Trade department of retail and wholesale trade organization and methods. "We banned it back in 1981. But our bans are not effective. Deficit goods allocation is the prerogative of local authorities and we cannot influence them."

I do not remember who among journalists noted that shortages are a serious drag on our democracy. It may be added that it becomes a weapon in political struggle. Some economists, who only recently were calling for the creation of the free market, now actively advocate a coupon-based rationing system. They claim that it will provide equal opportunities for all, regardless of effort, wages or prestige of the profession. This is the familiar idea of equalization. The only thing that is difficult to understand is why it so quickly conquered the minds of

former progressives. Perhaps their longing for popularity was stronger than their trust in the power of economic laws.

I have several newspaper clippings on my table. They describe how the fight for deficit goods has transformed society. A rayon leader, hoping to win popularity during an election campaign, organized sales at enterprises. Activists from an ethnic movement, calling for a rationing system in deficit goods distribution, forced qualified experts off their jobs. Some newspapers talk darkly of sabotage. Their argument goes as follows: enterprises cut their production while raising prices. Statistically, our welfare is increasing while in reality it is falling.

V. Nefedov, a VNIKS department head, cited some figures on increased goods deliveries to consumer trade in the past year, not in rubles but in real terms—i.e., in kilos and pieces. Deliveries of detergents were up 50 percent, of television sets five percent, of washing machines and refrigerators nine percent, of vacuum cleaners 12 percent, of radio sets 12 percent and of lumber 21 percent.

"But consumers see no increases," Vyacheslav Konstantinovich commented on his data. "They see empty shelves because these goods flow away by other channels. This is the source of enormous psychological pressure. Trade was transformed into allocation. Experts at our institute think that all forms of special distribution except for a couple of them should be abolished."

"I can imagine what it will cause. It will create entire categories of malcontents."

"Do we not have them now? In a month or two everything would be back to normal. Some economists suggest that the consumer goods market is under siege from approximately R350 billion of free-floating funds. Our calculations show that the true figure is much more modest, totaling only R50 billion to R60 billion. Plus, people do not plan to spend all their savings on consumer goods, far from it: many save for various purposes. As to concerns that everything will be bought up by underground millionaires on the very first day, they are totally naive. Such people have plenty of goods even now. They are not in dire need. We are ready to propose a general set of measures to cut the growth of idle funds at the consumer market and to eliminate panic buying. But on one condition: distribution must be banned."

This program has many businesslike, reasonable and very practical proposals. V. Nefedov has already outlined them briefly in our newspaper (No.5). Vyacheslav Konstantinovich is convinced that we should not try to adjust to the perverse behavior of the consumer while at the same time blaming him for breakdowns at the consumer market. We can, and must, direct his behavior. In our trade practice, we did once experience a run on sugar.

In 1972, the labels on vodka bottles were changed. In effect, it was a hidden price increase for alcoholic beverages. People began to fear mass moonshine-making and a run on sugar. Instead of waiting for the shortage, many decided to stock up on it themselves. The system which we now call the administrative command system worked promptly and with great precision. The order went out to stop the panic. How could it be done? It was decided that sugar would be sold everywhere, mobilizing all reserves for this purpose. Trucks appeared in front of the stores selling sugar directly from the flatbed. There were no restrictions on its sale. The country solved the problem without introducing coupons.

Here is another example, a very recent one. We all remember the close call with the run on salt and matches. V. Nefedov personally spoke on the "Vremya" news program and announced to citizens that we had plenty of salt. Had there been a delay of a day or two, there could have been years of coupon-driven shortages of salt and matches.

It is time to say honestly that the problem of deficit goods unfortunately will not be overcome in the near future. Inflation and unearned wage increases exacerbate the situation. For a long time, the retail trade turnover in the economy rose smoothly by R9 billion-to-R9.5 billion a year. Last year it jumped R37 billion! Were there more goods? This is partially the answer, but the main cause is different: people were buying up everything. Market conditions experts have their own litmus test: when consumers start actively buying gold, they will soon clear the shelves of everything indiscriminately. Four years ago growth in jewelry sales totaled R212 million, and last year, R1.8 billion, or nine times higher. It was an alarming symptom.

Now economists, sociologists and experts in trade organization have developed measures to reduce the pressure of deficit goods on all of us. With the same quantity of goods we may not feel the same demand for them. The VNIKS program has already been mentioned, and a similar one has been developed at the USSR Academy of Sciences institute of socio-economic problems of the population by a group led by I. Lakhman, doctor of economic sciences. If those who initiated trade at enterprises, coupons and sale upon presentation of passports had asked experts what they thought about these and other "progressive" forms of distribution, I am convinced we would never have known the primitive barter of refrigerators for washing machines.

"It is time not to allocate but to produce," said BeSSR Deputy Trade Minister G. Kravchenko. "In just one year, we had so many troubles with sale at enterprises in Minsk that I do not even want to think about it. We banned it on numerous requests from workers, as it used to be said."

Let us stop humiliating one another. Let us understand that the crux of the problem is not in the fact that sale at enterprises breeds speculators or irritates those who are



passed over in deficit goods distribution. The main danger is different: by clearing store shelves it creates the illusion of utter depression, purposefully or not compromising the idea of perestroika.

## HOUSING, PERSONAL SERVICES

### Health-Care System Reform Needed

#### Workers State Demands

904D0134A Moscow TRUD in Russian 31 May 90 p 1

[Article by V. Belitskiy and D. Struzhentsov, Leningrad: "Is a Strike the Medicine for Medicine?"]

[Text] We reported in yesterday's issue of TRUD that a city conference of representatives of the medical collectives of the city and the oblast had taken place in Leningrad, which had deemed the present state of affairs in public health intolerable, had laid down its own demands of an economic and social character, and had elected a strike committee.

The first part of the demands includes immediate organizational and economic measures: introduction of competitive elections for leaders of any rank; establishment of an average wage level in public health no lower than 150 percent of the wage of a skilled worker; abolition of the sadly well-known "free" duty rounds on days off and payment at double time for them; an additional payment of 50 percent of salary for physicians who by reason of the character of their work risk being infected with AIDS; first-priority granting of housing; creation of a social infrastructure, etc.

The second part of the demands concern public health as a whole: a fundamental reorganization of its entire system, by converting as of 1991 to insurance-based medicine principles; legitimization of a variety of forms of property in the sector; granting of juridical and economic independence to general health institutions; allotment of not less than 12 percent of the national income to the needs of public health instead of the present three; ensuring of the priority nature of industry orders for medicines and medical equipment and for the construction and repair of buildings.

"The average wage of physicians is 170 rubles," says Ye. Khmelevskaya, deputy chairman of the strike committee, "which is much lower than the average for the country. Under such conditions how can one talk about any real increase in the level of the people's health? On the contrary, it is continually deteriorating and has approached a dangerous level. Meanwhile all these problems are not being touched upon in the Supreme Soviet."

Our meeting with the members of the strike committee was short. They were hurrying to prepare the conference's documents so as, in accordance with the legislation on labor conflicts, to send them in three days time to the oblast main medical administration, the Leningrad

Soviet and the RSFSR Ministry of Public Health. The first section of the strike committee's demands, which affect the circumstances of the more than 100,000 physicians and pharmacists of Leningrad, will "weigh" 180 million rubles. Where to get them under the present conditions? The strike committee sees the solution in the main in the transition to a market economy.

It is impossible not to ask: what if an agreement with the higher structures does not ensue? If the strike committee is turned down? You see it's impossible to imagine a doctor who, in striking, would leave a patient on the operating table.

"In that case," V. Dmitriyev, chairman of the oblast trade union committee and a member of the strike committee, answered us, "we will use such forms of struggle that do not harm the patients as meetings, demonstrations, picketing... People are also suggesting mass statements about leaving work."

Physicians from Moscow, Archangelsk, Murmansk and Pskov attended the conference in Leningrad... They are seeking support one from another because they do not find it amongst the leadership. How will the conflict end? Apparently this problem will also come up before the people's deputies of Russia and the RSFSR Supreme Soviet, which they will elect, in all its acuteness.

### Officials Respond

904D0134B Moscow TRUD in Russian 5 Jun 90 p 1

[Article by L. Novak, chairman of the Central Committee of the Medical Workers Trade Union, and A. Potapov, RSFSR Minister of Public Health: "Money for Medicine"]

[Text] A few days ago we told the readers about the social conflict in Leningrad where physicians and pharmacists protested against the low wage level and the lack of social protection and, having set forth their demands, elected a strike committee for their implementation. How have these actions been perceived at the higher levels?

Chairman of the Central Committee of the Medical Workers Trade Union, L. Novak: "The Demands are Supported"

The Presidium of the Trade Union Central Committee supports the demands of the Leningrad people, the physicians of Zelenograd and the many others who sent ultimatums from 53 oblasts and autonomous formations of the RSFSR, from the Ukraine, Uzbekistan, Kazakhstan and other republics. On 4 June the presidium formed a public coordination council, headed by O. Belchenko, chairman of the trade union committee of Moscow hospital No 40. The intention is that the council will summarize the reports and demands coming from the localities and send them to the USSR Council of Ministers, the Health Protection Committee of the USSR Supreme Soviet and the USSR Minister of Public Health.

The residual principle of financing social programs has led to a situation in which the relative share of the funds allocated for public health drops from year to year and now constitutes about three percent of the gross national product. With respect to this indicator the country is in one of the last places in the world. Medical institutions have been reduced, I am not afraid to say, to a humiliating state and medical workers, deprived of that they need—medicines, equipment, diagnostic facilities, et cetera—even now are breaking all the rules and instructions, risking being brought up on charges every day.

Everyone should know they have no housing, cultural and communal facilities, appliances, that the physico-emotional strains are great, but that little changes. And in this situation we think that, before converting to a market economy, as it was presented in the government's concept, one needs to think out and implement measures for the social protection of public health workers and, of course, the ill and disabled. The trade union's central committee objects to the program set forth by N. I. Ryzhkov in its present form.

It is necessary, as a minimum, to complete the wage increase for physicians envisaged by the decree of 1986 not in 1992 but in 1990, so as to make it no lower than the average level for the country in 1991. Later it should be increased in line with the growth of inflation. Funds for the construction of housing, pioneer camps, sanatoria and dispensaries, etc., need to be allocated in fact and be erected in as short a time as possible. Finally, the question of increasing appropriations for the development of medicine so as to bring them up to 9 percent of the gross national product next year is also urgent.

**RSFSR Minister of Public Health, A. Potapov: "Not Just From the Budget"**

Russia received 9.2 billion rubles for public health in 1986 and 14.3 in 1989. However, this increase is imaginary; it all went to cover inflation. Now the budget is calculated only upon a healthy person. And how is it for the sick? We think that the average annual increase of funds should be no less than 30-35 percent; then one can

talk about guaranteeing—in the future?—the increased quality of the population's health. Now there are 89 rubles per year for every sick person (this not counting all kinds of deductions and "spongers"). In our opinion, if this figure is not brought up to 200-250 rubles by 1995, we will not succeed in resolving the problems confronting public health.

Where to get the money? It is necessary to convert from total budget financing to a mixed budget-insurance system. The funds of enterprises, *kolkhozes* and *sovkhozes*, and various other organizations, including cooperatives, need to be drawn in. I am sure that, as in other countries, we cannot do without individual insurance payments. We need various forms of economic relationships in the public health system with state and non-state structures—in the form of leases, contracts, bank loans, joint-stock participation, etc. The question is one of alternative forms which will permit destruction of the monopoly.

By the way, we do have an excellent model of the organization of medicine on lease principles—I'm talking about the "Eye Microsurgery" Interbranch Scientific-Technical Complex, headed by Professor S. Fedorov. We have just completed a thorough check of the work of this collective and have satisfied ourselves that only unscrupulous people can run it down, as some have attempted to do recently. Both in the economic and in the medical sphere everything is excellent here. Organizing affairs on the basis of economically sound norms, as is shown by all interbranch scientific-technical complexes, permits the solving of the majority of medicine's present problems.

As regards the demands of the Leningrad physicians and the colleagues from other territories of Russia, we are preparing a concrete answer for them. Resolution of the questions they have raised is difficult first of all because a government of Russia has not yet been formed. When it emerges we will offer our own versions of solutions and our own package of legislative proposals to the RSFSR Congress of People's Deputies and the republic's Supreme Soviet. We are for eliminating the injustice in the treatment of medical workers as soon as possible.

## FUELS

UDC 622.013:622.33

### Ukrainian Coal Industry Production Potential Viewed

904E0135A Kiev UGOL UKRAINY in Russian No 6, Jun 90 pp 2-4

[Article by Candidate of Technical Sciences S.P. Fishchenko, deputy head of the heavy-industry sectors department of the Affairs Administration of the UkSSR Council of Ministers: "The Production Potential of the Coal Industry of the Ukraine and the Prospects for its Development"]

[Text] Scientific and technical progress and the accelerated pace of the development of a number of countries and individual regions has brought about significant structural shifts in the world power-engineering economy as typified by the substantial growth in the consumption of fuel by power enterprises, the chemical, metallurgical and other sectors of industry and by agriculture, as well as the municipal and consumer sector. The fuel-and-power balance will be altered in the long run, according to forecasts, in that the proportionate share of the consumption of oil, natural gas and other types of fuels will decline while the share of coal consumption will rise sharply.

The production potential of the UkSSR coal industry is currently at 307 mines (technical entities), 8 open-pit mines, 72 enrichment mills and 5 briquette mills. The total production capacity is 198 million tons for coal production and 154 million tons for processing. The coal enterprises are located in the central and southern Donbass, the Dnepr lignite basin and the Lvov-Volyn coal basin.

The Guidelines for the Economic and Social Development of the USSR for the Period to the Year 2000 envisage bringing the country's coal production to one billion. The entire increase in coal production should be obtained without increasing the number of workers, as the result of increasing labor productivity. Fundamental improvements are thus essential in the structure of the mine inventory of the Ukrainian SSR, which has a significant role in realizing the program for raising production potential and improving the technical and economic indicators of the country's coal industry. The share participation of the republic in overall coal production is preserved at the level of 20-25 percent, along with 35-37 percent for the production of coking coal and 60-65 percent for anthracites. About 70 percent of the fuel consumed in the republic is produced on its territory, and the principal type of fuel still remains coal. The priority role must be preserved for the coal industry in this regard and its capacity must be kept at a level that provides for the fuel needs of the economy of the republic, and first and foremost thermal-power engineering, metallurgy, the population and municipal and domestic consumers.

The resolution of these tasks is complicated by the fact that the upgrading of fixed capital has lagged behind the requirements of the sector for the last 20 years, which has predetermined not only serious difficulties in its work, but has also led to a drop in production capacity of almost 26 million tons (more than 10 percent). This situation is explained, aside from the shortcomings and omissions of an organizational nature in sector operations, chiefly by the exceedingly low rates of renewal of the mine capital in the face of constant reductions in production capacity under the ever more complicated conditions for the development of coal fields. Some 40 million tons less of capacity than was projected were actually put into service in 1966-85 due to the shortfall in capital investment, while the capacity of the mines being backfilled dropped from 14.6 million tons in the 8th Five-Year Plan to 2.1 million tons in the 9th. An efficient new technology for the stripping of thin inclined and steeply pitched seams has not been created (only 3 of 17 envisaged types of systems have been created). Heading machines for the working of hard rock are lacking.

The operational start-up of 24 million tons of coal-production capacity and the start-up of construction or modernization of 15 mines or open pits with an overall annual capacity of 21.2 million tons, including 4 mines with a total capacity of 7.8 million tons of coking coal, were planned for the 11th Five-Year Plan. The allocation of 8.1 billion rubles of capital investment was projected for this. The plan, however, set capital investments at 6.1 billion rubles, which led to the postponement of capacity start-ups for 8 new and 4 modernized mines and determined the maximum possible start-up of 8.5 million tons in 1981-85 through mine construction or modernization and the construction of a single open-pit mine with a productivity of 2.1 million tons. A number of measures for the upkeep, modernization and overhaul of the existing mine inventory were not fulfilled. A considerable volume of operations for improving mine systems were able to be implemented. Some 5.2 billion rubles of capital investments were expended for this purpose, which totaled 71 percent of the overall volume allocated for the development of the republic's coal industry. Some 288 levels (versus 285 planned) were put into operation at existing mines as a result along with 188 main fans (versus 174), 38 methane-drainage installations (36) and 19 cooling ones (30) and 61 large-diameter wells (60), while some 56 vertical shafts were drilled (86) along with 1,700 km [kilometers] of permanent workings.

The volume of vertical-shaft drilling increased by 2.7 times in 1985 compared to 1980. These steps made it possible to stabilize coal extraction at the level of 190 million tons versus the standard capacity of less than 200 million tons.

We note that no positive shifts were able to be achieved in improving the mine inventory of the UkSSR, and it remains the oldest in the country as before. It is possible to avert the aging of the mines in the Donbass with the

aid of modernization, but this could not be accomplished due to the constant non-allocation of capital investments; as a consequence, more than 75 percent of the mines have been operating for more than 20 years without any modernization.

The negative consequences of the short-sighted and poorly thought-out development of the coal industry in the Ukraine in the 1970s that define the operational strain on the sector, both currently and in the foreseeable future, are as follows: the poor level of production concentration; the complicated layouts of mine networks and engineering service lines; the absence of new and highly productive equipment for extracting coal and heading as well as of progressive technologies; the worsening working conditions and labor safety; and, the unsatisfactory housing and consumer conditions.

The poor level of production concentration and the lack of the necessary capacity for coal enrichment are undermining the possibility for wider access to thin seams (less than 0.8 meter) in processing, since their extraction entails increasing the amount of rock to 30-40 percent or more of the mass of mined rock. The resolution of this problem is very important, since the reserves of paying seams (thickness of 1.2 meters or more) will be depleted by the beginning of the 21st century within the limits of the approved boundaries of the operating mines.

The unsatisfactory renewal of mining capital and the forced accelerated development of paying seams have conditioned an increase in the depth (by an average of 12-16 meters/year) and operation of most mines according to temporary plans, which has led to growth in the overall length of workings being maintained and the complication of mine ventilation and transport networks. More than 60 percent of the stopes and development headings are 3 km from the pit bottoms, and many are 7-10 km away. Whereas in 1975 the average depth of the workings was 540 meters and in 1980 it was 590 meters, currently it is at 670 meters. More than 80 mines are operating at depths of 800-1,000 meters, and 26 at more than 1,000 meters. The maximum depth at the Skochinskiy mines (Donetskugol) is 1,220 meters, at Progress (Torezantratsit) it is 1,240 meters and at Shakhterskaya-Glubokaya (Shakhterskugol) it is 1,400 meters.

The continuous aging of the mines, the low rates of upgrading them, the repeated nature of the performance of various local measures to improve individual links in the process chain and the irregularity of the provision of the enterprises with new equipment have all led to an increase in the number of bottlenecks. The number of stopes with complex geological development conditions has increased from 810 to 930 over the last eight years alone, and the number of outburst-prone seams has gone from 570 to 815. There are restricting factors at 220 mines (stopping fronts, ventilation, hoisting, underground transport, surface process systems). About 85 percent of the thin and exceedingly thin seams are being developed,

while 68 percent of mines have been relegated to the categories of very gassy or prone to sudden outbursts of coal and gas.

The unsatisfactory state of the mining facilities and the long length of the engineering service lines do not permit the efficient resolution of safety issues when performing stoping and development operations or the assurance of the conformity of the thermal and gas conditions to the requirements of standards. Sequential ventilation-system configurations are often employed in gassy mines. The temperature conditions did not conform to the requirements of the Safety Rules at 300 stoping (20 percent) and 680 development (about 30 percent) headings. About 36,000 people are working at those stopes. Air-conditioned air is employed to normalize the thermal conditions at 70 mines, but it is not having the proper impact due to the large losses of the cold on the way to the stopes. The methane drainage of accompanying beds and waste space is performed at 98 mines and 348 longwalls to reduce gas content. About two million m<sup>3</sup> a day of methane are extracted, of which 21 percent is used for combustion in the furnaces of the mine boilers. Some 80 mines moreover extract reserves that are non-commercial and substandard in thickness and ash content, and 96 mines are producing coal only one or two shifts a day due to anti-outburst measures. These factors have reduced the production capabilities of the mines and have been a principal reason for the under-assimilation of the standard capacities by almost 20 million tons a year at many enterprises.

An intensification of coal production under the conditions of the Donbass is possible only on the basis of the development and widespread incorporation of process solutions aimed at substantial reductions in the harmful effects of natural factors that reduce the safety of operations and the efficiency of utilization of progressive mining technology. It should be noted that one of the basic causes of the strained operations of the republic is the low rate of their overhaul, which are constantly being restrained by the long time periods (from 5 to 15 years) for the creation and assimilation of series production of new technology and the unsatisfactory supply of mining machinery and equipment to the mines. This relates first and foremost to the mines that are processing steep or flat seams of small thicknesses, for the extraction of which the necessary equipment is lacking. Some 65 percent of coking coal is extracted from steeply inclined seams with the aid of pick hammers. Only 35 percent of the development headings are done by cutter-loaders, and the rest is done through drilling and blasting operations, while all of the processes connected with roadway maintenance are performed by hand.

An increase in the amount of coal production and heading operations does not seem possible under the conditions of great depths and hard intervening rock without providing the mines with new equipment and without the incorporation of progressive technologies. USSR Mirugleprom [Ministry of the Coal Industry], the scientific-research and design-engineering institutes and



the coal sector machine-building plants are not resolving these important issues in timely fashion. The sector does not have machinery and equipment of a higher technical level due to a host of miscalculations in machinery designs and delays in their construction.

The lack of equipment for the extraction of thin seams, which comprise 80 percent of all reserves, has led to the intensive processing of highly productive seams. Some 52 mines have converted to the extraction of thin seams since 1976 using series-produced equipment whose technical characteristics do not correspond to the mining conditions. As a consequence of this, the number of fully mechanized stopes operating with the cutting of adjoining rock, at 81 (20.9 percent) in 1976, was 285 (46.4 percent) in 1989. The high accident rate due to the poor quality of the new equipment has moreover led to a drop in the output at such stopes of almost 200 tons/day versus the 1976 level.

The intensive upgrading of the mines and the incorporation of mechanized systems in 1965-75 provided for an increase from 35.2 to 44.3 tons/month (25.9 percent) in labor productivity per worker in coal production. Some 49.2 million tons of capacity were started up at new and modernized mines and the number of fully mechanized stopes increased by 13 times, while coal production at them went up 30 times and reached 79.1 million tons a year. This made it possible to raise the volume of coal production from 194.3 to 215.7 million tons and reduce the number of workers in coal production by 12.6 percent. The start-up of capacity dropped by more than half in the subsequent period (1976-89) and totaled 25.9 million tons with the withdrawal of 66.3 million tons. The production at fully mechanized stopes, despite the 1.5-fold growth in their numbers, increased by only 25 percent.

All of this led to a decline in monthly labor productivity of 39.2 percent (from 44.6 to 31.6 tons) in 1989 compared to 1976. Labor productivity over that period increased by 13.2 percent as the result of measures to improve the mining facilities, the mechanization and automation of processes and through organization, while it decreased 42.8 percent due to negative factors.

Limitations on the allocated capital investments and material resources in prior five-year plans have caused a worsening of the state of the housing stock and reductions in housing construction. The area of the housing stock has currently reached 16 million m<sup>2</sup>, and about 1.6 million people (288,000 families) are living in it. The housing problem in the republic's coal industry remains unsolved: 1.7 million m<sup>2</sup> of the housing stock is subject to demolition and 7.5 million m<sup>2</sup> of buildings require immediate major overhauls. There are about 120,000 families in line to improve their living conditions and receive housing, and many of the workers have moreover been waiting for apartments for 15 years or more.

The situation in the sector is also complicated by the fact that both the new mines and those being modernized are

going into operation with major unfinished work and an insufficiently developed workfront for stoping and development operations. The actual geological and mining conditions at many mines do not correspond to the initial geological documentation, which brings about the replanning of mining operations, additional preparations and the reproduction of the workfront of the stoping operations. The planning organizations in a number of instances select incorrect layouts for development, development systems, heading, shoring and workings-protection methods and means of coal extraction. The actual workloads at the stope are often below those planned by virtue of these reasons. The new enterprises are as a rule assimilating their planned capacities extremely slowly.

Measures have been taken in the republic aimed at reducing the number of enterprises that have not assimilated the standard level of capacity and at reducing production losses for that reason. The implementation of measures providing for a considerable improvement in the operation of the coal industry in the long run for 15-20 years are envisaged along with temporary improvements in the state of operating mines according to the General Plans for the development of mines in the republic. The backfilling of 6 mines and 3 enrichment mills and the modernization and major overhaul of 51 operating mines and 3 enrichment mills is being planned in particular, for which some 106 vertical shafts, 66 large-diameter wells, and 99 ventilation, 39 methane-removal and 19 cooling installations were to have been put into operation by 1990. About 12.5 million tons of capacity are expected to be put into service as the result of the construction, modernization and major overhaul of mines.

Capital investment for the 12th Five-Year Plan has been defined as 9.2 billion rubles proceeding from these development configurations enumerated, but only 8.5 billion rubles have actually been allocated. This makes it impossible to put 36 vertical shafts, 11 large-diameter wells, and 19 ventilation, 11 methane-removal and 3 cooling installations into operation. The production capacity of 15 mines had ultimately decreased by 2.3 million tons by 1990 due to the worsening state of the mine inventory, and 46 mines will drop by 11 million tons by 1995. The fact that the failure to adopt effective measures to revive the mine inventory of the republic will lead to irreversible consequences whose rectification will require large capital investments and an increase of 3-4 times in the rates of their assimilation—which is hardly achievable—evokes particular alarm. Paramount attention must thus be devoted to issues of the accelerated development of the coal industry in the Donetsk, Lvov-Volyn and Dnepr basins.

It should be noted that compensation for the losses of coal production, especially coking coal and anthracites, in the Ukrainian SSR through the accelerated development of other basins in the country, and the Kuzbass in particular, is economically unjustified and difficult to fulfill. The cost of a ton of coal in the Kuzbass is

currently less than the Donbass, but the average monthly labor productivity of the production workers is 1.9 times more. If we compare these data for individual associations, mines and brands of coal, however, the gap proves to be less, while a number of indicators for the Kuzbass are worse than in the Donbass.

The large expenses for delivering coal from the eastern part of the country and the realistic opportunities for the development of means of transport must furthermore also be taken into account. The adjusted expenditures for the shipment of a ton of Kuznetsk coal from the Novokuznetsk station to the station of Debaltsevo are 17.1-21.4 rubles. An analysis performed by the IEP [Economic Planning Institute] of the UkSSR Academy of Sciences has established that the costs associated with the delivery of Kuznetsk coals for the Ladyzha GRES [state regional electric-power plant] have reached 28-30 rubles a ton over a three-year span. Additional expenses for the unloading of the railcars with frozen coal in winter equal 4 rubles per ton. Practice has shown that the unloading of railcars with frozen coking coals from the Kuzbass is very difficult. It was impossible in many cases at coking plants without thawing devices, and the coal was thus rerouted to thermal electric-power plants with thawing equipment, although there were difficulties with unloading there. It must be noted that the losses of coal being transported total about one million tons a year at a delivery volume of 60 million tons, 1.5 million tons of fuel are expended in shipment on the way and 1 million tons on the way back, and such a volume of the essential freights for delivery to the east is lacking.

It should be taken into account that the Donbass is the best assimilated basin in the country in an industrial regard. The need for labor reserves for new mines there could be satisfied through the freeing up of workers at enterprises that are being closed. Without denying the necessity for a further augmentation of coal-production volumes in the Kuzbass, the specific regional features of its development cannot fail to be taken into account. The Donbass will need an additional 45,000 construction workers, while the Kuzbass will need 130,000-140,000 people whose resettlement and infrastructure will require 1.5 billion rubles. The artificial restraint of the development of the Donbass is irrational and impermissible when taking into account the great difficulties with the creation of a contemporary social infrastructure in the Kuzbass and its geographical position along with the inevitable worsening of the geological and mining conditions with the intensive development of the fields, which will lead to a rise in the cost of the coal and to reductions in the labor productivity of the production workers. It is also incorrect to juxtapose the development of these two major basins providing the national economy with coals. Each of them is resolving its own tasks, and their development should be accomplished in a well thought-out and proportional manner.

Not a single new mine has been sunk in the Donbass over the last 15 years. The construction of 8 mines and open pits is underway today in the republic that were sunk

15-28 years ago, but they will be unable to compensate for the loss of production at mines being closed down. Coal production in the republic is declining every year. Whereas in 1976 some 218 million tons were generated along with 189 million tons in 1985, only 178.3 million tons are planned for 1990. The volume of coal production has consequently dropped by more than 39 tons over three five-year plans, which is equivalent to the closing of 39 major coal enterprises. The republic is experiencing a scarcity of solid fuels in this regard that will have to be covered by shipping it in, principally from the eastern regions of the country.

The opportunities for the development of the coal industry in the UkSSR are meanwhile far from exhausted. Reserves (61 known districts) for the construction of new mines with commercial reserves of 10.5 billion tons and total design annual production capacity of 129.8 million tons of coal have been prepared on the territory of the republic as the result of geological exploration. The known reserves for new mine construction in the Donbass are 49 districts with reserves of 9.3 billion tons of coal (capacity of 104.4 million tons a year), including 22 districts with reserves of coking coal of 4.3 billion tons (47.1 million tons). The coal reserves of 23 reserve districts are involved in processing by operating mines, which will make it possible to extend their service lives. Since there are 6.5 billion tons of reserves of brands Zh, K and OS coking coal in the basin, a further augmentation of their production is possible principally through the development of seams at deep levels.

The Donbass has great potential opportunities for the production of power coals. Major power complexes could be constructed based on the discovered and known reserves of the Bogdanovskoye and Petrovskoye fields of the northern Donbass and the Lozovskoye region of the western Donbass. The thickness of the coal seams reaches 1.5-2 meters there. The prepared reserves in the western Donbass comprise 6 districts with reserves of 1.1 billion tons of coal (capacity of 11.1 million tons). The preparation of 3-5 mine fields at a depth of 150-900 meters with a total annual capacity of 4.5-7 million tons is possible in the Pavlograd-Petropavlovsk region in the near future. The Lozovskoye region with forecast reserves of more than 8 billion tons is exceedingly promising. Some 41 mines with a total annual capacity of 39.5 million tons could be constructed in the region in accordance with the technical and economic studies of Dneprogiproshakht [Dnepr State Institute for the Planning of Mines], and 16 districts with a capacity of 20.9 million tons have been recommended for survey. The Uspenovskaya No. 1/1 mine field (capacity of 1.5 million tons) has been surveyed and transferred to commercial assimilation, while the detailed survey of the Uspenovskaya No. 1/2 field (1.5 million tons) with a depth of shaft sinking of 500-600 meters is being completed.

The overall forecast coal reserves in the northern Donbass exceed 10 billion tons. Some 5 districts with a total annual capacity of 11.1 million tons and coal reserves of 0.8 billion tons at a depth of seam occurrence of 400-800

meters have been surveyed and turned over for assimilation at the Bogdanovskoye field. The reserves of the Petrovskoye field total 1.4 billion tons and support the construction of 7 mines with a total annual capacity of 15 million tons. The Bogdanovskoye-South No. 1 field with a capacity of 2.4 million tons a year has been surveyed and turned over for assimilation. The mine water of the northern Donbass possesses enhanced mineralization. The question of burying them in the deep levels has been resolved.

The prepared reserves of the Lvov-Volyn basin consist of 4 districts (capacity of 5.4 million tons) with reserves of 306 million tons. The geological exploration of the southwestern region—with coking-coal reserves (more than 0.7 billion tons) that will provide for the construction of 7 mines with a total annual capacity of 8.7 million tons—is being accelerated. The reserve fund for the construction of new mineshafts and open-pit mines in the Dnepr basin is 7 districts with a capacity of 11 million tons, of which 3 districts have a capacity of 4.5 million tons for open-pit operations.

It may be asserted based on the foregoing that there are enough reserves of coal in the republic to provide coke for the country's southern and central regions, generate the necessary quantity of electric power and satisfy the fuel needs of the population and other consumers with the appropriate development of the sector. Attention should be devoted therein to the resolution of a whole set of social issues and the revival of the ecological situation in the coal regions. The mistake that has already been made twice—where coal was declared to be unprofitable and the wager was placed on oil and gas, and then on nuclear power—must not be repeated.

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UDC 061.3:622.271(47+57)

### Open Cast Coal Mining Prospects Examined

904E0113A Moscow UGOL in Russian No 5, May 90  
pp 18-21

[Summary of report by USSR Deputy Minister of the Coal Industry V.M. Zhdamirov with subsequent reports under the rubric "Open-Pit Mining": "The State and Prospects for the Development of Strip Mining for Coal Production—Report from the USSR Minugleprom Collegium Traveling Session of 22-24 Jan 90"]

[Text] The Vostsibugol [East Siberian Coal] Association held an expanded session of the traveling collegium of USSR Minugleprom, [Ministry of the Coal Industry] in Irkutsk on 22-24 Jan 90, at which the state and prospects for the development of open-pit coal mining at sector enterprises were considered and the principal directions for raising the efficiency of coal strip mining were defined.

Executives of enterprises, associations, scientific-research and experimental-design organizations, innovative production workers, team leaders, the chairmen of councils of labor collectives, trade-union committees and the secretaries of enterprise party organizations, as well as executives from the services and departments of USSR Minugleprom, took part in the work of the collegium. Some 310 people participated in the collegium in all.

The session was opened and the collegium conducted by USSR Deputy Minister of the Coal Industry V.M. Zhdamirov, who presented the report "The Principal Results of the Development of Open-Pit Mining in 1989 and the Tasks for 1990."

V.M. Zhdamirov noted in the introductory portion of the report that the session of the ministry's traveling collegium was taking place in a difficult period for the country with a worsening of the problems of political and socio-economic life. The task of a self-critical and profound analysis of the state of affairs in the subsector and the devising of specific measures for the future was advanced as the chief mission of the meeting. The necessity of ascertaining "bottlenecks" and seeking out ways of eliminating them, along with analyzing the first experience of working under the conditions of economic accountability and assessing the practices of selecting executives, was noted.

The strikes that occurred in 1989 in the principal coal-producing regions seriously disrupted production rhythm and increased social tensions in the collectives. Some 6.8 million tons of coal, including 2.9 tons of coking coal and 1.9 tons of concentrate, were lost as the result of strikes over July-August 1989, with the losses totaling over 200 million rubles. The USSR Council of Ministers, as a result of the strikes that occurred in the summer of 1989, adopted Decree 608, for the implementation of which USSR Minister of the Coal Industry Order 115 of 4 Aug 89 was promulgated. The course of fulfillment of the targets and measures stipulated by these documents is under constant monitoring both at the ministry and in the local areas. Some 260 of the 431 targets envisaged by the minister's order have been fulfilled, including 37 ahead of schedule. Another 157 are in the stage of being realized, and 14 have not been met. A meeting of miners with N.I. Ryzhkov was held in November of 1989 at which an exchange of opinions took place on the course of fulfillment of USSR Council of Ministers Decree 608. One result of that meeting was the creation of regional State and Public Commissions for Monitoring the Fulfillment of the Decree, which will make it possible to resolve the issues that arise more efficiently.

Most of the open-pit miners supported the just demands of the strikers, but recognizing the impermissibility of the considerable economic harm from strikes, displayed great responsibility and conscientiously did not halt

operations. The sector, to a considerable extent thanks to that, was able to meet the needs of the national economy for solid fuels in 1989.

The entire increase in coal production for the sector has been provided through open-pit operations in the current five-year plan. Open-pit coal production has grown by almost 31 million tons (or 10.2 percent) and reached 332.6 million tons, or 45.5 percent of overall production in the sector, in 1989. The principal increase (in millions of tons) was provided by the Ekibastuzugol [Ekibastuz Coal] (6.4), Krasnoyarskugol [Krasnoyarsk Coal] (7.2) and Yakutugol [Yakutsk Coal] (3.2) associations along with the Kuzbassrazrezugol [Kuzbass Open-Pit Coal] concern (9.5).

V.M. Zhdamirov then made a critical analysis of the results of open-pit coal mining in 1989.

**Coal production.** The plan for open-pit coal production in 1989 was overfulfilled by 6 million tons, although the growth rate dropped by 1.8 percent. The increase in open-pit mining production (thousands of tons) was 1,527 at the Kuzbassrazrezugol concern and 609 at the Yakutugol, 459 at the Aleksandriyugol [Aleksandriya Coal], 99 at the Severokuzbassugol [North Kuzbass Coal], 15 at the Sakhalinugol [Sakhalin Coal] and 15 at the Chelyabinskugol [Chelyabinsk Coal] associations in 1989 compared to 1988.

The speaker, proceeding to the shortcomings, noted that the amount of strip mines that did not fulfill the plan in 1989 increased from 8 to 13. The largest number of strip and underground mines that did not fulfill the production plan are in the Primorskugol [Primorye Coal] (42 percent of the total number), Sredazugol [Central Asian Coal] (15 percent), Kemerovougol [Kemerovo Coal] (14 percent) and Bashkirugol [Bashkir Coal] (50 percent) associations. Some 26 mines had unassimilated capacity of 31.2 million tons (an increase of 39 percent compared to 1988).

**Stripping operations.** Almost 1.46 billion  $m^3$  of stripping operations were performed in 1989, of which 40.5 million  $m^3$  were above and beyond the plan (102.9 percent). This made it possible to bring the reserves of coal ready for extraction at open-pit mines to 44.1 million tons versus 32.1 million tons in 1985 (an increase of 37.4 percent). These reserves support average plan production for 47 days. The growth rate of stripping (101.4 percent) outstripped the growth rate of open-pit coal production (98.2 percent), and the increase totaled some 20.8 million  $m^3$ .

The plan was fulfilled for all types of processes with the exception of conveyor operations (the shortfall was 1.1 million  $m^3$ ). The growth rate of the most economical types of processes was reduced at the same time—non-transport by 2.7 percent and hydraulic stripping by 11.7 percent. The number of strip mines that did not fulfill the stripping plan in 1989 increased by 5 compared to 1989 [as published] and reached 18, and they did not process 15.7 million  $m^3$  of stripped rock. The

principal reasons for the non-fulfillment of the stripping plan are the high accident rate of the equipment and the unsatisfactory state of the rail track in the Bashkirugol Association, the failure to resolve issues, drainage, lack of preparedness for downpours, the poor organization of production and the poor operation of motor transport in the Primorskugol Association, the lack of proper monitoring and unsatisfactory operation of motor transport at the Neryungri Mine of the Yakutugol Association, and the poor operation of motor transport at four strip mines (20 percent of the overall number) at the Kuzbassrazrezugol Association.

The economic efficiency of open-pit coal mining is largely determined by the technology employed in stripping operations. The increase in stripping over 1985-1989 was accomplished principally through growth (from 37 to 43.8 percent) in motor-transport processes, the most expensive one. The share of non-transport processes, the most economical, declined from 32.2 to 26.8 percent, while railroad processes were virtually unchanged (they decreased just 0.6 percent and comprised 25.6 percent).

The disproportions that have taken shape in the development of stripping operations, and especially the task of resource-conserving and ecologically clean technologies, have been caused by the slow pace of technical retooling in the sector. V.M. Zhdamirov noted that neither the IGD [Mining Institute] imeni A.A. Skochinskiy nor NIIOGR [Scientific-Research Institute of Open-Pit Mining Operations] and VNIMI [All-Union Scientific-Research Institute of Mine Surveying] have offered any substantive proposals for improving non-transport technology or developing combined types of technology. Rail transport moved 1.4 billion  $m^3$  of stripped rock over 1986-89, and the shortfall was 4.9 million  $m^3$ . All of the associations except Bashkirugol (-7.8 million  $m^3$ ) and Primorskugol (-4.2 million  $m^3$ ) fulfilled the shipping plans for the last four years. These associations did not fulfill the plan in 1989 either. The plan for motorized stripping was not fulfilled by 9 million  $m^3$  over 1989 in six associations. One reason is the lack of an elementary repair base to service the heavy-load mining dump trucks. The emergency idle time of these vehicles increased considerably and productivity dropped by 15 percent in 1989 compared to 1988 as a result.

**Drainage.** The difficult mining and geological conditions that have been encountered in open-pit mining at fields in the Maritime Kray, the Yakut ASSR, Amur Oblast and other regions in the eastern part of the country and in Central Asia have forced a reconsideration of the stance of the open-pit miners in relation to drainage. Errors committed in geological survey and the design engineering of systems and methods for drainage are one of the principal causes of the unsatisfactory operations of the Pavlov 2, Angren, Nazarovo and Vostochnyy (Vostsibugol Association) open-pit mines along with the Yerkovets mine under construction.



The design engineers are restructuring intolerably slowly on issues of drainage. A large and crucial role in this realm of sector science belongs first and foremost to the lead institute of UkrNIIProyekt [State Scientific-Research and Planning Institute of Coal, Ore, Petroleum and Gas Industries of the Ukrainian SSR]. V.M. Zhdamirov emphasized in particular for the production and construction workers, design engineers and scientific workers that drainage is the first principle of mining, and it is namely with drainage that the assimilation of fields should begin.

**Ecology.** The speaker noted that the ecological problems that have accumulated, the chronic lags and, in a number of instances, the neglect in performing environmental-protection measures are becoming a factor hindering the development of open-pit production in a number of basins.

Some 103,100 hectares of land (or 63 percent of the total area of affected lands for the sector) have been disrupted for open-pit mining, including 18,900 hectares over the first four years of this five-year plan. The recultivation of lands is being performed intolerably slowly, however. Just 10,100 hectares (54.3 percent) of the total area of spent lands subject to recultivation at strip mines (18,400 hectares) was recultivated and turned over for utilization in 1986-89, even though the plan targets were fulfilled by 104 percent.

**Safety engineering.** Especial attention was devoted to this issue in the report, since the state of safety engineering is a most important socio-political issue. V.M. Zhdamirov noted that one of the main advantages of open-pit mining is the safer working conditions for miners compared to underground mining. The associations with open-pit mining, however, are not realizing this advantage satisfactorily. Some 69 people were killed in 1989 (6 more than 1988) as a result of the grossest violations of safety rules.

Matters were worst of all in rail transport in 1989, where the occurrence of accidents increased by 7 (2.2 times). A rise in the rate of electrical accidents by 3 incidents (10 fatal cases) occurred over 1989 compared to 1988 at open-pit mines. The worsening state of safety engineering is linked to no small extent with a slackening of production and operational discipline and a drop in responsibility among workers and engineering and technical personnel. It should be kept in mind that raising the personal economic responsibility for the safety of each, including those stricken, is gaining particular significance under the conditions of economic accountability and self-financing.

The deputy minister summed up some of the results in concluding his review of production issues. He stated in particular that "I understand very well that most of the problems I have touched on are well known to you and that work is underway to solve them. In turning your attention to these shortcomings, I felt it my duty to

emphasize once again our overall slowness in eliminating them. The development of the essential measures requires a profound and systematic analysis and the daily purposeful work of all services in the associations and enterprises. We organized and held a series of schools of advanced experience in various basins in 1988-89 on virtually all of the key issues of open-pit coal production. The overall opinion was uniform—the schools are needed. No enthusiasm or efficiency has yet been felt, however, in incorporating the recommendations. The reasons for the insufficient efficacy of the schools that were held must be analyzed and ways planned to improve this work in the future."

After this, V.M. Zhdamirov devoted a significant portion of his report to a critical analysis of the state of scientific and technical progress in the subsector.

**Scientific and technical progress.** The state of scientific and technical progress at the strip mines has fundamental significance, insofar as the rapid development of open-pit mining is the foundation of the sector's technical development. The speaker expressed particular concern on this issue and described the state of affairs in this realm as approaching a dead end. He evaluated some of the negative trends in this regard and proposed a series of measures to surmount them.

The scientific and technical development of open-pit operations has been accomplished principally through state scientific and technical programs over the course of the five-year plans. The expected improvements in technical and economic indicators, however, are not occurring with the realization of these programs. A comprehensive and self-critical analysis of the situation involving the associations and scientific-research institutes is required for an exhaustive answer on the reasons for this situation.

The incorporation of new and more productive mine-transport equipment worsens the indicators of cost, capital-to-output ratio and labor-intensiveness of mining operations at the majority of associations. Considerable spending on the production of individual prototypes of new equipment with large unit capacity apart from the overall technological complex, as practice has shown, is not justified. Innovation and efficiency in the incorporation of scientific developments continues to remain unsatisfactory. About 1,800 scholars are working on problems of scientific and technical progress at open-pit mines, and 16.5 million rubles from the central USSR Minugleprom development funds and about 15 million rubles from the association development funds are spent each year on NIOKR [scientific-research and experimental-design work], while the annual economic impact of the development is an average of 14.5 million rubles.

The contemporary requirements for the rate of scientific and technical development in open-pit mining are conditioning the necessity of a significant increase in the creative return of scientific personnel at sector institutes and the engineering and technical personnel of the

production associations, as well as closer interaction between them. This concerns first and foremost new and non-traditional solutions to the problems of developing the equipment and technology of coal strip mines under specific conditions. The conversion of institutes occupied with the topics of open-pit mining to the new system of planning has not facilitated a rise in the efficiency of their scientific developments. The chase after immediate financial gain has led to an increase in petty topics: the amount of the work with a low (under 10,000 rubles) estimated cost has increased to 36.2 percent at UkrNIIProyekt and 21.4 percent at NIIOGR. The spending on exploratory operations has dropped in the past two years—by 4 times at NIIOGR, 1.4 times at UkrNIIProyekt and 3 times at KATEKNIUgol [Kansk-Achinsk Fuel and Power Complex Scientific-Research Institute for Coal]. Exploratory topics for open-pit mining are lacking altogether at the lead institute of the sector—the IGD imeni A.A. Skochinskiy.

The proper economic responsibility of scientific-research institutes and machine-building plants for incomplete work in the creation of new prototypes of mine-transport equipment is lacking.

V.M. Zhdamirov proposed a series of measures to surmount this incomplete work in the development of scientific and technical progress in open-pit coal mining. First of all, the foundation of technical progress should be the technical retooling of coal strip mines with resource-conserving mine-transport equipment of a new technical level and widespread utilization, making it possible to eliminate disproportions in the productivity of machinery in a unified process system. The application of resource-conserving technologies and new, more productive and ecologically clean systems for transport within the mine must be expanded. It is important to provide for a reduction in the time required to create and raise the productivity, reliability and economy of mass standard types of mine-transport equipment for strip mines.

**Design engineering.** Assessing the level of design engineering at open-pit coal-mining enterprises, the speaker noted that appreciable shifts in raising the quality and level of plans, as well as the more widespread utilization of scientific and technical achievements in the plans, have not yet occurred. This is leading to unfounded increases in cost and a rise in labor-intensiveness and construction times.

A considerable portion of the report was devoted to a critical analysis of the state of the housing problem, the development of agriculture and the output of consumer goods in the subsector of open-pit mining, as well as an analysis of existing shortcomings in the resolution of social issues.

**Personnel work.** In this portion of the report, V.M. Zhdamirov covered questions of personnel work in the subsector and gave an evaluation of the practices for selecting executives. He noted that the coal industry has

great personnel potential at its disposal. The proportionate share of specialists at the strip mines is 25.2 percent of the overall number of workers. The qualitative composition of the executives at the mines and other enterprises in open-pit operations has become significantly younger and better. The level of work on preparing personnel reserves does not yet correspond to contemporary requirements. Only 2,600 executives and mine specialists raised their skill level over the first four years of the five-year plan at the skills-enhancement institute of USSR Minugleprom instead of the 3,100 planned. The work with specialist personnel and their training and placement was and remains the chief task for primary executives at all levels. It should be conducted under conditions of broad glasnost and in close collaboration with party, soviet and trade-union bodies as well as the councils of the labor collectives.

The steady increase in understaffing of production workers for the entire four years of the five-year plan was noted in the report on the issue of worker personnel. Although the lag in housing start-ups is the principal reason for the understaffing, the influence of economically accountable activity and the aspiration of the labor collectives to fulfill the targets with the fewest number of workers are also becoming more and more appreciable.

**Management structure.** V.M. Zhdamirov cited the following as priority directions for the radical restructuring of management in the coal industry:

- the granting of full business independence to mines and other enterprises and organizations of the production associations and combines;
- the formation of major organizational structures of enterprises (utilizing various forms of ownership of the means of production) on a voluntary basis; and
- a substantial restructuring of the production-management apparatus in the local areas and a rise in their authority (first and foremost in the economic sphere), the maximum transfer of functions to enterprises for resolution, and the utmost simplification of the structure of the apparatus with reductions in its size, naturally without detriment to business.

This work to implement the Decree 608 of the USSR Council of Ministers of 3 Aug 89 is also being conducted most actively in the sector at the Kuznetsk basin.

The speaker in conclusion directed attention to the fact that work on improving the structure of production, expanding the independence of enterprises, incorporating new business methods and forming major organizational structures for the management of coal enterprises on a voluntary basis must continue in 1990. V.M. Zhdamirov singled out in particular the fact that the development of the legal and business independence of strip mines and other enterprises along with the endowment of labor collectives with broad powers on issues of production management cannot be an end in itself, but should rather be the foundation for transition to genuine

economic accountability, a rise in production efficiency, the successful resolution of the state tasks and the assurance of the welfare of the labor collective.

Some 41 people spoke in the discussions, and they covered the problems listed in the report in more detail. No little constructive criticism was directed toward the management apparatus of USSR Minugleprom, and many of those who spoke, taking advantage of the occasion of participating in such an extensive and imposing conference of mining workers, did not fail to address the ministry with requests to provide them with allocations, funds, equipment etc. to resolve the "most acute" issues. A number of speakers sounded important and sensible suggestions to eliminate unfinished work in the subsector. The chief economists of the Borodin mine of the Krasnoyarskugol Association, I.S. Yelshin, shared the experience of mine operations using the second model of economic accountability since October 1988. He noted that the incorporation and early experience of operations under the business conditions based on a standard distribution of income at both the enterprise and the internal-transactions levels is demonstrating an undisputed opportunity for the employment of the second model of economic accountability at a coal-producing enterprise. The business system is anti-spending and its further development in the future could have large potential opportunities for improvement (as opposed to the first model). The preconditions of the principle of actually earning one's funds at the level of both the enterprise and the level of the structural subdivision (shop, section) are taking shape as the foundation for a conversion to economic management methods with the further expansion of business independence. The business system is moreover quite strict and requires solid business ties for product sales with the consumers of the coal (Uglesbyt, electric-power plants and the like) and allied workers (the railroads of the Ministry of Railways, among others). I.S. Yelshin emphasized that a reconsideration of the views and approaches to the traditionally extant structure of production oriented toward a single product (coal) is essential in order to create a stable enterprise economy, an objective necessity under conditions of unstable competitive market conditions for the sale of power-plant lignites. The creation of other types of production activity able to close possible "gaps" in the utilization of production capacity and the manpower of basic production—and, accordingly, losses in income—is essential therein. Stable economic standards for deductions from income to the budget and for higher bodies along with guaranteed volumes of state orders for coal deliveries by the terms of sale are essential for at least 3-5 years to provide economic guarantees for the work of the collective, structure an efficient economy and organize production and social programs.

The fact that the Borodin mine received complete independence on 28 Aug 89 by order of USSR Minister of the Coal Industry M.I. Shchadov, the speaker noted, is a result of the mine's operations under the new business conditions.

A.V. Baulin, the general director of the Bashkirugol Association, spoke on the results of association operations over 1986-89 and the tasks for 1990. The association has moved from among the laggards to one steadily fulfilling the plan. Production volume of gross output increased from 87 to 110 million rubles over 1986-89; coal production went up 8 percent; briquet output went up by 1.7 times; stripping volume was up 1.5 times; labor productivity increased 1.3 times. A.V. Baulin uncovered how such rates had been obtained and noted the correct resolution of issues of improving the management structure via consolidation of structural entities and subdivisions as the principal reason for the association's success.

The leader of a locomotive crew and chairman of the labor collective from the Angren mine of the Sredazugol Association, V.M. Aman, gave a report on the work of the mine's collective and familiarized his listeners with the results that have been achieved: a considerable portion of his presentation was devoted to questions of developing economic accountability and raising the quality of operations. He proposed a review of the outmoded instructions in the Unified Safety Rules and the Rules for Technical Operation. V.M. Aman proposed shifting the functions of turning equipment on and off from supervisory individuals to qualified workers who have been trained for this in advance for the purpose of reducing the size of the administrative apparatus.

The proposals of USSR People's Deputy Yu.S. Shchapov, director of the Chernogorsk mine of the Krasnoyarskugol Association—who devoted his presentation to questions of stabilizing the economy and improving the management structure—are also deserving of attention. A material and moral vested interest in the end result from the worker to the executive and material incentives for initiative, the speaker noted, should be at the heart of measures to stabilize the economy of the sector and the country overall. He proposed the following as the most important steps.

The full economic independence of associations and groups of enterprises (or separate enterprises) in resolving economic issues and the organization of production is essential. All enterprises, regardless of their form and purpose, should act within the framework of a unified law. Any products, whatever enterprise has produced them, should be sold through the state trade system, which will naturally buy up the cheaper products.

The ministry should be sustained on the funds of the enterprises and perform functions (essential to the enterprises from the management apparatus) in organizing centralized supply and sales, the resolution of issues of scientific and technical progress, the long-term development of the sector, investment policy, personnel selection and the coordination of taxation.

The enterprises should form wages according to the ultimate results with the observance of a basic principle—the growth rate of labor productivity should outstrip the growth rate of wages—across the sector overall!

The bonus system should be abolished. The pay of the management apparatus is set depending on profits. Norms for output, rate scales and salaries should be recommendations only.

The conversion of enterprises to full business independence should be preceded by a reform of wholesale (or procurement) prices. The prices should be composed by regions allowing for socially essential expenditures and competitive world market conditions. Mutual transactions among enterprises should be non-cash.

The activity of the enterprises should be balanced, and each enterprise must therefore establish:

- 100-percent state orders with complete supply of raw resources and equipment and the right to sell product above and beyond the plan; the enterprise pays a fine in the amount of the cost of the short product in the event of non-fulfillment of the state order from the start of the period with the right pass it along to allied workers that are to blame; the same fine is paid to the enterprise by the consumer in the event of refusal of the product;
- firm and stable prices for product regardless of under what conditions and at what cost it is produced;
- a fixed tax on the state-order volume (this means that product above and beyond the state order is not subject to taxation, and the enterprise pays a tax on short product), which is an enormous incentive for raising production volumes and selling product above and beyond the plan at low prices (the tax should differ by regions and production conditions); and
- initial labor productivity and wages and the correlation between them (the enterprise has the right to increase wages by a certain percentage correlation between them if there are funds left for it with increases in labor productivity). This correlation is taken as 1:1 for USSR Minugleprom overall, less than 1 for enterprises augmenting their production volumes and more than 1 for those reducing it.

The workers of various administrations of USSR Minugleprom spoke at the conclusion of the session, giving answers to questions posed by session participants to ministry services during the work of the collegium in their presentation.

For example, USSR Minugleprom Economic Main Administration Deputy Chief N.P. Antonov noted in answer to questions concerning the reporting of enterprises and associations to the ministry that the established reporting system has not yet been completed, although it was cut back by 32 percent in 1989, with 27 forms eliminated entirely and new submission deadlines instituted for 17 others, while sections and individual indicators have been eliminated in a number of forms. He also emphasized that the enterprises that have converted to the second model of economic accountability starting with reporting for 1989 will submit them

according to their own indicators, and not those of the association (even if the association is operating according to the first model of economic accountability), i.e., it will not be necessary to do dual reporting.

A corresponding resolution was adopted at the conclusion of the session of the traveling collegium of USSR Minugleprom. Production tours to exchange experience were then organized for the participants in the session to various enterprises of the Vostsibugol, Krasnoyarskugol and Yakutugol associations.

There is not the room within the framework of this article to cover all of the issues considered both in the basic report at the traveling collegium of USSR Minugleprom or by those speaking in the discussion on the report; V.M. Zhdamirov's report was circulated in its entirety among the open-pit coal-mining associations for specialists to utilize the materials of the USSR Minugleprom collegium in their work.

The editors of the journal UGOL have in turn decided to cover the principal elements of the USSR Minugleprom traveling collegium and ask the readers to express themselves in the pages of the journal on the issues covered in the report at that collegium, as well as those issues that were touched on in the discussions. We await your replies.

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UDC 622.276

### Economic Programs' Impact on Oil Production Administrations

904E01084 Moscow NEFTYANOYE KHOZYAYSTVO in Russian No 5, May 90 pp 3-6

[Article by V.A. Fumberg of the Kuybyshev Division of the NOTiUP [Scientific Organization of Labor and Production Management] Center of VNIIOENG [All-Union Scientific-Research Institute for the Organization of Management and the Economics of the Petroleum Industry] under the rubric "Restructuring: Problems and Solutions": "The Status of the Subdivisions of Production Associations"]

[Text] The question of the status of the subdivisions that are part of production associations is being debated very sharply in the petroleum industry. The fundamental decision that only production associations should enjoy the rights of state enterprises in accordance with the law, while the subdivisions within them would have the rights of structural entities, had been made at the All-Union Sector Economic Conference in Kuybyshev (October 1987) before the conversion to full economic accountability and self-financing and before the State Enterprise (Association) Law took effect on 1 Jan 88. Some exceptions were made however, when signing the orders on the structure of associations at USSR Minneftegazprom [Ministry of the Oil and Gas Industry]. NGDUs [oil and



gas production associations] received the status of state enterprises in the Noyabrskneftegaz and Komineft POs [production associations], along with the drilling-operations administrations and some of the commercial-transport administrations in the associations of Glavtyumenneftegaz [Tyumen Oil and Gas Main Administration] and the construction and installation and other trusts in all associations. The subdivisions of associations in the southern and central regions that perform operations on a contract basis in West and East Siberia also obtained the status of state enterprises.

Work experience under the conditions of full economic accountability and self-financing and the effects of the State Enterprise Law has not removed the acuity of the problem. Most executives and labor-collective councils of the structural entities of associations, especially NGDUs, are insisting that they be granted the status of state enterprises. As a result, USSR Minneftegazprom decided to grant the status of state enterprises to the NGDUs of the Nizhnevartovskneftegaz PO as of 1 Jan 89. The commercial-transport administrations, Energoneft and sovkhoses were moreover made subordinate to them as structural entities in violation of the law. We note, however, that no improvements have occurred in the measures of production, economic and financial activity of the Nizhnevartovskneftegaz PO over 1989 under the effect of the new structure. What advantages could be provided by this or that status for the NGDUs?

A whole series of distinctions arises between state enterprises and structural entities out of the content of the State Enterprise (Association) Law. These distinctions are basically immaterial and, if mutual obligations for financial transactions based on the prevailing standards are precisely observed, there should be no distinctions in the results of the business activity of the association overall or its enterprises. One exception is perhaps material responsibility for short deliveries of oil. The association does not pay fines for short deliveries of oil by individual NGDUs, with the fulfillment of the delivery plan for the association overall through the over-fulfillment of the plan by other NGDUs, if the administrations that comprise it are structural entities. And conversely, if the administrations in the association have the status of a state enterprise, then NGDUs that do not fulfill the plan and the association overall pay these fines. Such instances are unfortunately not rare in the practical activity of the production associations with a regard for the institution of stable five-year plans under the effects of changes in geological conditions. Had the NGDUs of the Nizhnevartovsk PO been state enterprises in 1988, they would have paid more than 2.5 million rubles in fines for short deliveries of oil, while the association actually paid only 421,000 rubles.

The question arises of the utilization of profits above and beyond the plan and, in particular, the financial reserves of enterprises or the association, as well as the procedure for the distribution of additional material-incentive or social-development funds that are formed from the production of oil above and beyond the state

order and the five-year plan. The executives and social organizations of the NGDUs feel that these additional funds should be formed directly in the administrations and utilized at their discretion, basically to stimulate the fulfillment of the social programs of the workers.

All enterprises, structural entities and subdivisions that are part of the production associations, however, make a contribution to the production of oil above and beyond the plan. It is thus no accident that the formation of additional incentive funds for associations, and not for individual NGDUs, is thus envisaged for the production of oil above and beyond the five-year plan.

Some executives of NGDUs and their social organizations assume that they will be able to keep all of the income from the sale of oil at their own disposal with the transformation of the administrations into state enterprises. This understanding of the essence of full economic accountability is unfortunately still in circulation, while in reality the conversion is under conditions of the five-year plan, and no one can alter the approved year-by-year standards of the five-year plan, including the deductions to the centralized funds of higher organizations; this does not depend on the status of the NGDU.

The status of state enterprises of the UBRs [drilling-operations administrations], commercial-transport administrations and other subdivisions of the association created a vested interest for them to obtain profits above and beyond the plan, which in the majority of cases automatically increases the cost of oil production. The profits above and beyond the plan and financial reserves, meanwhile, cannot be directed toward the resolution of production tasks and the social program of the whole association. Due to the comparatively insignificant size of these sources of additional funds at individual enterprises, however, they must either enter into cooperation or utilize these funds only in the interests of their own collective for the resolution of private tasks, which leads to a "scattering" of the funds.

If all of the subdivisions in the production associations are turned into state enterprises, the association will cease to be a production one and will be turned into a middle-echelon management body. The association in that case, however, is simply an excess management echelon envisaged neither by the State Enterprise (Association) Law nor by the sector's General Management Model.

The existence of an enormous number of enterprises in the sector in the absence of associations rules out their centralized management. The necessity of the existence of regional production associations has at the same time been corroborated by all of the many years of the history and practice of the development of the oil-and-gas-producing sector.

The demand for the status of state enterprise on the part of executives of NGDUs and other structural entities of production associations in oil production proceeds from their subjective psychological assessments, since these

executives, when transferring to executive posts in the associations and the ministry, change their viewpoint to the opposite one (and vice versa, by the way) immediately. Moreover, not a single executive, specialist or economist can cite any arguments at all that define the additional independence, rights and advantages of structural entities that obtain the status of state enterprise (with the exception of the opportunity of creating and utilizing additional sources for the satisfaction of the group interests of individual labor committees at the expense and to the detriment of satisfying the interests of the labor collective of the association overall).

It seems essential in this regard to retain the status of state enterprise only for oil-and-gas production associations, and keep the status of structural entity for all of the subdivisions within them—NGDUs, UBRs, UTTs [commercial-transport administrations], TsBPOs, sovkhozes, plants and even trusts.

Ways of improving production relations and the mutual relations among the subdivisions of the structural entities and the entities themselves within the association—from the viewpoint of replacing administrative management methods with primarily economic ones based on improving the business mechanism and the principles of economic accountability within types of production—must be found and realized under the conditions of the prevailing structure of associations.

The implementation of the principle of an effective material and economic vested interest of each subdivision, enterprise, structural entity and individual worker in the end results of its or his labor is essential for this. The concrete task of each worker in ensuring the efficiency of oil production should be formulated in clear-cut fashion, and moreover not only in quantitative terms (the production program), but also in economic terms—cost reductions in oil production and increases in overall association profits. The specific production and economic tasks must be secured with strong material and economic incentives.

The NGDU must for this purpose convert to the principle of planning and providing incentives for reductions in the total field cost, i.e., the spending on the rendering of services by other shops, subdivisions and enterprises must be planned for the oil field along with the spending that depends on the activity of the teams and workers in it. No more than 2-5 percent of the spending in the total cost of oil production is currently planned for the oil fields that are in the NGDUs. Any incentive mechanism for reducing this spending cannot provide a substantial decrease in the overall cost of oil production for the NGDU. The oil field, for instance, has no vested material or economic interest in reducing spending on routine repairs or major overhauls, maintaining stratal pressure, servicing and repair of oil field equipment or the means of automation etc. The labor collective of the oil field determines and implements the appropriate steps in

planning this spending for the oil field and the institution of a mechanism of material and economic incentives for reducing the overall oil field cost. The operational run time of wells between repairs is lengthened, for example, for the purpose of reducing spending on their repair, the technological and geological regulation of PPD [stratal-pressure maintenance] processes is performed, the servicing of oil field equipment using in-house manpower through a combination of duties is organized etc. The existing alternatives for stimulating cost reductions for the subdivisions supporting the oil fields in reality do not work, since these subdivisions have a vested interest in constantly increasing the volumes of services rendered—they become relatively cheaper thereby. The overall cost of oil production for the NGDU, however, increases as a result.

Much in cost reduction on oil fields, of course, depends on the quality of the services rendered by outside subdivisions. The incentive mechanism should thus envisage the "sharing" of economies obtained by the oil field through the quality of the services rendered rather than the quantity of them.

The UBRs currently have a vested interest in increasing the estimated cost of well construction, since, first of all, the difference between the estimated and actual cost is profit for the UBR, moreover regardless of whether the administration is a state enterprise or a structural entity, and second, the wage fund is formed according to a standard based on the estimated cost of well construction. It seems that a way out here should be sought in the conversion of drilling organizations to the formation of income and the wage fund based on the production of oil from the new wells they turn over.

This proposal does not differ from the ultimate aims and tasks of oil production, provides a vested interest for the drillers to turn wells over to the oil field workers as quickly and as early as possible and improves the technology of wells being drilled, the opening up of formations and their consolidation for the purpose of increasing the actual well yields compared to the planned ones.

A more effective mechanism to provide a more substantial additional incentive to reduce costs and, most importantly, the estimated cost of well construction must of course be created and preserved in drilling. The commercial-transport administrations, regardless of whether they are state enterprises or structural entities, also have a direct or indirect vested interest in increasing gross income and profits, which raises the cost of oil production, drilling and capital construction.

Experience in the incorporation of the team contract in the transport subdivisions is of interest from the point of view of altering the incentive mechanism for reducing spending on basic production in transport and special-equipment support. Good results are being obtained in its institution in the shipment of drilling tools, drill-team facilities, routine repair and major overhauls of wells,

the killing of wells, the delivery of UETsN and other operations. The labor productivity of transport workers is rising sharply and the amount of equipment being used is being reduced with a relatively small but nonetheless significant rise in average wages, while padding and the "chase" after gross income are being eliminated, with fixed spending for these services in basic production based on firm valuations of the volumes of work performed. Incentives should thus be provided in principle for the management of commercial transport in production associations for the fulfillment of the contract volume of operations according to firm valuations by types of contract and additionally for reductions in the cost of the volume of operations performed, but not for the fulfillment or over-fulfillment of gross income and profits. Incentives should be organized in the same manner for other types of auxiliary and support production, enterprises and structural entities that are part of the production associations.

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UDC 622.276.1/4

### Commission Views Oil Deposit Development Plans

904E0108B Moscow NEFTYANOYE KHOZYAYSTVO in Russian No 5, May '90 pp 41-44

[Article by A.N. Gritsenko: "Materials from the Central Commission for the Development of the Oil Fields of the USSR"]

[Text] A session of the Central Commission on the Development of Oil Fields in the USSR held in the third quarter of 1989 reviewed the draft process documents composed by SibNIINP [Siberian Scientific-Research Institute for the Petroleum Industry] for the oil fields of Tyumen Oblast under exploitation. They included drafts for the development of the Vata and Kholmogory fields, an elaborated process model for the development of the Tarasovo field, and planner's oversight of the development of the Novo-Purpey, Barsukov and Lyantor fields.

The Vata Oil Field is in the third stage of development, and the maximum planned level was reached in 1980. Its many deposits of oil are joined in six exploitation sites. The development system, however, was formulated only for sites  $BV_8$  and  $YuV_1$ . A dispersed system of development with the placement of wells in a 600 x 600 m [meter] pattern on the western uplift and 500 x 500 m on the eastern is being realized on the  $YuV_1$  site. The waterflooding system is selective, and the correlation of producing and injection wells is 4:1. The  $BV_8$  is being developed with the application of marginal flooding combined with selective. The on-going rate of encroachment has reached 82 percent. The correlation of producing and injection wells is equal to 3:1. The remaining sites are being developed behind schedule. More water than oil is being extracted from the  $BV_6$  formation, which has underlying bottom water. The exploitation of

formations  $BV_0$ - $BV_7$  is being accomplished by common filter using depletion-drive mode, while formations  $AV_3$ - $AV_8$  are using solitary wells. Fewer than half of the planned well inventory has been drilled for the  $AV_3+AV_2$  site, and the waterflooding system has not been organized.

It was ascertained in the course of discussion that there is considerable slack for improving the development of the Vata field. A significant portion of the oil-bearing interlayers in the producing wells have not been opened by perforations, and the processing of PZP is being performed in insufficient volume. The authors of the plan studied in detail the problem of optimizing the density of the well pattern and have provided suggestions for the development of stimulation systems, expansion of non-stationary waterflooding, the accelerated sampling of liquids and the organization of pilot operations for alkaline waterflooding. It has been proposed to drill the  $AV_3$ - $AV_6$  site according to a separate well pattern with the formation of closed waterflooding systems, the  $AV_3+AV_2$  site with the formation of a block three-row development system and the fourth section with the formation of a dispersed seven-point system with a well pattern density of 16 hectares/well.

The central commission approved a draft plan for the development of the Vata field. A further intensification of the working of reserves with the aid of an optimization of the well patterns, the formation of waterflooding systems and the organization of non-stationary flooding is envisaged. Pilot operations are projected to assess the extraction opportunities in the  $BV_{20, 22}$  formations of the Achimov section and alkaline flooding for sites  $AV_3+AV_2$  and  $YuV_1$ .

The Kholmogory Oil Field was put into development in 1976. The two operational sites  $BS_{10}$  and  $BS_{11}$  were drilled in a 600 x 600 m pattern using block three-row development systems in accordance with the process model. A square-block development system using 14 elements with the wells positioned in a pattern of 300 x 600 m has been in use in the central part of the accumulations of site  $BS_{11}$  since 1982. Some 60 percent of the planned well inventory has presently been drilled in the field. They have been unable to hold the maximum planned level of oil production that was achieved, and it began to decline with the working of 34 percent of reserves.

The yields of oil and liquids for the Kholmogory field are somewhat higher than planned, and the liquids yields have stabilized in recent years at a level of 75-80 tons/day. The intake capacity of the injection wells is 1.5 times higher than planned, the operative inventory of injection wells is half that planned and the inventory of producing wells has exceeded the planned level, but the number of mechanized wells is 20 percent less than projected. Existing reserves for the withdrawal of liquids and injection of water are not being fully utilized. It was noted that the likelihood of the outflow of injection water into the peripheral zone exists due to the absence

of a system of "locking" wells. The effective oil-bearing section is thicker in the edge zones than in the middle, and the reserves in them are consequently greater. It was emphasized in this regard that a further rise in the efficiency of the reserves working processes entails the redistribution of withdrawals and injection from the central portions of the accumulations to the peripheral ones, as well as the inclusion of poorly drained oil reserves in development. The lower portions of formations  $BS^1_{11}$  and  $BS^2_{12}$ , with worse collector properties, are not included in active development. The share of reserves that are poorly involved in development is evidently considerable, since the drop in oil production for the transitional inventory of wells exceeds the planned one.

The processing of PZP is not always efficient on the Kholmogory field, due to the low requirements for the performance of that work. It has been noted that positive results have been obtained in individual wells from stimulation using an acetone solution of mud acid.

The central commission, having discussed the proposals of SibNIINP to improve the development of the Kholmogory field, approved plans envisaging:

- 1) an extension of the square-block system to the whole accumulation of the  $BS_{11}$  formation and the organization of a selective system of waterflooding for site  $BS_{10}$  using the inventory of recovery wells;
- 2) an increase in the projected withdrawals of liquids of 22 percent;
- 3) the testing of a combined method of raising petroleum extraction with the creation of fringes of surfactants (and compositions of them) in small volumes and the injection of acids into newly introduced production wells; and
- 4) the development of non-stationary waterflooding and the accelerated withdrawal of liquids with the application of integrated technologies for the processing of PZP for producing and injection wells.

The Tarasovo Oil and Gas Condensate Field has been drilled since 1986 at four sites— $BP_8$ ,  $BP_9$ ,  $BP_{10-11}$  and  $BP_{14}$ . Some 197 wells had been drilled by the date of compilation of the elaborated process model. The geological structure of the sites has been elaborated as the result of drilling. It turned out that the amount of oil-bearing rock in the  $BP_8$  formation was more than initially proposed as a consequence of increases of 20 percent in the oil-bearing seams; the area of oil saturation was expanded in formation  $BP_9$  was expanded; the gas-bearing portion of the  $BP_{10-11}$  site has been isolated from the oil-bearing clay parting for the greater portion of the accumulation.

Major shortcomings, however, were noticed after the field was put into development. The formation of the stimulation system is lagging; a drop in stratal pressure has been noted in the areas of intensive withdrawal

before the development of dissolved-gas drive. The gas factor has increased by 30 percent as a consequence of this. The gathering system is overloaded, which requires its modernization to provide for augmented withdrawals on the field.

SibNIINP has reconsidered the technical and economic indicators for the development of the Tarasovo field with a regard for the geological data that have been elaborated and the conditions of realization of the planning solutions. The opportunity of transforming the dispersed three-row system into square-block ones at sites  $BP_8$  and  $BP_9$  was efficiently determined. These transformations were also substantiated in the process model proposed. A technical and economic assessment of the development of the sub-gas zone was performed for site  $BP_{10-11}$  for the first time. Variations for the rates of drilling the field were considered and the gaslift method of exploitation was proposed with the start-up of a compressor station in 1992. Calculations of the efficiency of employing non-stationary waterflooding were presented.

The central commission approved the process model for the development of the Tarasovo field with the following fundamental provisions:

- 1) the delineation of the five exploitation sites  $BP_8$ ,  $BP_9$ ,  $BP_{10-11}$ ,  $BP_{14}$  and  $BP_7$  (recovery);
- 2) the disposition of wells at sites  $BP_8$  and  $BP_9$  according to a square-block system, and at sites  $BP_{10-11}$  (for the oil fringe) and  $BP_{14}$  according to a dispersed nine-row square system with distances of 600 m between wells;
- 3) the performance of experimental operations on two elements of the dispersed nine-point system of the  $BP_{14}$  formation with distances of 300 m between wells, and the issue of the optimization of the pattern for the whole site was resolved according to the results of them;
- 4) the performance of pilot operations for the simultaneous withdrawal of oil, gas and condensate in the sub-gas zone of formation  $BP_{10-11}$  with the disposition of wells according to a closed-square system in nine blocks; and
- 5) the organization of barrier flooding across the whole outline of the gas-bearing area of the  $BP_{10-11}$  site.

The process model for the Novo-Purpey field envisaged the use of a three-row development system with wells in a triangular pattern at distances of 500 m from each other and 600 m between the injection wells and the first producing rows for sites  $BP^1_{10}$ ,  $BP^2_{10}$  and  $BP_{12}$ , along with a dispersed development system with well disposition in a square pattern of 450 x 450 m for site  $BP^1_{11}$  and the paramount drilling of formation  $BP^1_{10}$  with the deepening of wells up to site  $BP_{12}$ .

The field was put into development in 1985, and 388 wells (61 percent of the planned amount) have been drilled. A planner's oversight performed by SibNIINP provides an analysis of field assimilation. It was noted in



discussion that the injection of inefficient amounts of water has been permitted in individual blocks. The waterflooding system was realized well behind schedule. Sites BP<sup>2</sup><sub>10</sub> and BP<sup>2</sup><sub>11</sub> are effectively being developed in depletion mode. Strong encroachment is occurring in the wells as a consequence of unregulated injections, as well as the lack of monitoring of the technical condition of the wells. Hydrodynamic research on the monitoring of development is of poor quality and insufficient in amount. About half of the wells in the mechanized inventory are not operating in optimal modes. The state of operations for the qualitative separation and opening of producing formations, the processing of PZP and the sampling and study of the core is unsatisfactory. Infill wells are being drilled without any substantiation.

The authors of the work made an erroneous proposal on the necessity of optimizing the well pattern that contradicts the technology for field development, and it was not accepted by the central commission.

The central commission charged SibNIINP, in conjunction with the Purneftegaz PO [Production Association], to compose a program of geological and technical measures to improve the state of development of the Novo-Purpey field and ensure the fulfillment of the planned process solutions.

The Barsukov Oil and Gas Field was put into development in 1987. The two sites BP<sup>2</sup><sub>11</sub> and BP<sup>2</sup><sub>12,13</sub> have been drilled so far according to a three-row block system with distances of 500 m between wells. The reserves of the PK<sub>10,20</sub> formation have been increased considerably according to the results of follow-up survey. SibNIINP has proposed the placement of the PK<sub>10,20</sub> site into development using a three-row system of well disposition in a 250 x 250 m pattern. The central commission accepted that proposal, charging SibNIINP with specifying the technical and economic indicators for the development of the field overall according to the results of exploitation.

Some 46 percent of the area of the Lyantor Oil and Gas Field has been drilled. The exploitation site of that field, uniting formations AS<sub>0</sub>, AS<sub>10</sub> and AS<sub>11</sub> of the Vartov dome, has a monolithic structure in the sub-gas zones. The probability of the presence of a clay parting at the GNK [gamma-ray logging] level does not exceed 50 percent. The purely oil-bearing zones are located only in the sections of the structural decline of the AS<sub>0</sub> formation. Uncertainty in the forecasting of the oil-bearing sections of the log is being created as a consequence of these specific features of the site structure, and a special approach is required toward its development.

The first stage of the drilling in of the Lyantor field discovered non-contact interlayers in the producing wells and oil-saturated and partially gas-saturated interlayers in the injection wells for barrier waterflooding. The shift of drilling to the fringe water-oil zones was efficiently accomplished for the purpose of restricting non-productive withdrawals of gas, wherein the rate of

drilling in of the field was increased compared to the planned levels to compensate for the lower yields of the wells in the fringe zones.

The field is currently being drilled according to the planned dispersed nine-point system with distances of 400 m between wells. A system of stimulation that has made it possible to organize independent development sites in individual accumulations has been formed. The bringing of the field to the maximum planned level of oil production is being planned for 1990.

Attention was directed in the process of discussing the planner's oversight toward unfavorable factors that are complicating the process of oil production. The high water encroachment of new wells (32-37 percent) and considerable number of wells with gas and gas by-products content were noted. The proper monitoring of field development is lacking. Means of automation and remote telemechanics for field research is inadequate (45 percent of the well inventory). Equipment for the automated measurement of oil, gas and water withdrawal in wells operating with a significant volume of gas is lacking. The injection of water into the injection wells is almost not regulated. Hydrodynamic research of wells, including naturally flowing ones, is being performed in insufficient volumes. The piezometric inventory of wells is not being measured. Reliable geophysical methods making it possible to determine the position of the gas-water contact have not been created. The current and residual oil and gas content of formations is not being researched.

The planner's oversight has not considered questions of the quality of well construction, the discovery of producing formations and the processing of PZP, which is a major drawback. Considerable attention has been devoted to the energy state of the accumulation. The authors have concluded that the injection of water should compensate for the withdrawal of both liquids and free gas. A strengthening of the system of stimulation and an increase in the injection volumes have been proposed.

The central commission approved the planner's oversight of the Lyantor field, envisaging a doubling of the planned level of water injection. Measures have been recommended for hydrodynamic methods of regulating and developing a systems technology for the processing of PZP as essential for ensuring the planned levels of oil production and ultimate oil extraction.

It was proposed that the Surgutneftegaz PO:

- 1) take immediate steps to ensure the monitoring of the exploitation of producing and injection wells using automated equipment and telemechanics;
- 2) raise the requirements for the types and amounts of research operations and organize a system for the comprehensive monitoring of the working of oil and gas reserves; and

3) ensure the employment of expanding cement and resin-like compositions in the construction of new wells for the purpose of isolating gas- and water-bearing formation intervals and convert to the discovery of formations in the gas-bearing zones by boring perforators.

SibNIINP has been charged with composing a plan for the development of the Lyantor field in which the principles of its further development and methods of well exploitation will be substantiated; to consider a variation with the simultaneous withdrawal of oil and gas; to determine the expediency of breaking down the AS<sub>0.11</sub> sites and forming cores for development with regulated withdrawals of fluids and standard injections of water; and, to study issues in protecting the earth's interior and the environment.

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## ELECTRIC POWER GENERATION

### Radiation Inspection Team Visits Kurchatov Institute

904E0117A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 23 May 90 p 4

[Article by V. Umnov under the rubric "From Our Correspondent With a Dosimeter": "Facility 37"]

[Text] The red Zhigulis with the inscription *Izotop* on the door and a sensitive radiometer in the trunk entered the grounds of the chief source of Moscow radiation rumors—the Kurchatov Institute. The "gatekeeping" monitors at the checkpoint did not ring, meaning our initial "dose" was no more than 20 microroentgens/hour, the level of the natural Moscow background radiation. The needle in the passenger compartment confirms 7...

*The Institute of Nuclear Energy imeni I.V. Kurchatov was created in 1943. Seven out of the ten Moscow research reactors are in operation here today.*

*By the way, the technetium and thallium for oncological diagnostics and treatment at 50 Moscow clinics are manufactured here. These elements decay very rapidly, and it is thus impossible to manufacture them elsewhere.*

"We've passed one of the installations," the deputy chief engineer for radiation safety, Aleksey Yefimovich Borokhovich, points out. The instrument says 10 microroentgens/hour.

"That building to the side is a temporary storage area for low-radioactivity wastes. We store rags that have 'caught' radiation in polyethylene tanks. A special vehicle comes for them every day from the Radon NPO [Scientific Production Association] and takes them to Zagorsk."

"They say those vehicles whiz around Moscow without any identification signs and that people walking by are exposed without even noticing."

"First of all, they are accompanied by police cars on special routings when there is no one around. Second, strict safety requirements exist for them."

(I make a note—I must see for myself.)

The oldest reactor, F-1, is still operating. Driver and dosimeter operator V. Matyushkin stops on an unremarkable spot of asphalt

"The reactor is underneath us."

The needle stops at 15 microroentgens/hour.

It is getting boring...

The rumor that the map of the postwar "burial grounds" had been lost at the Kurchatov Institute had been going around Moscow.

In response they showed me a map of the radiation situation on the grounds of the institute. I can find what lies where on it without difficulty.

First, spent fuel. Before it is trucked out, it is stored alongside the reactors in cooling ponds. It is not dangerous underwater, and they do this at all the AESs of the world.

Second, the temporary storage areas for low-radioactivity wastes.

And finally, third, the storage area for highly radioactive wastes.

"I would like it if you didn't use the word 'burial ground,'" specifies A. Borokhovich. "I declare officially that there are not and have not been any burials (not to be confused with storage areas) of radioactive waste on the grounds of the institute, that is, burial grounds."

So what was there then?

Facility 37. We put on white overalls and caps. And we enter a strictly monitored zone through a second barrier of yellow "gatekeepers." I notice several signs—radioactivity.

"No journalists have been here yet..."

We proceed along the burial areas. The radiometer reads 600 to 800 microroentgens/hour in places. There are two types of storage areas here.

First are the contemporary storage of highly radioactive wastes. It contains not spent fuel, but rather structural materials with induced radioactivity, or simply put, pieces of iron that are not radioactive in and of themselves, but from contact with the fuel. A chain reaction is impossible here.

The wastes are concealed in hermetically sealed metallic containers, containers underground, in cells literally like a beehive, and sealed with concrete stoppers. I hold the dosimeter over them—634 microroentgens/hour.

There is a crane here which is used to help put the containers into the Radon vehicle. It is condemned to serve out its life on these grounds. It will then be cut up and "packed away" in the same containers.

Alongside, ten meters away, is an old knoll covered with brush.

I push through toward the top. The radiometer clicks faster and faster, and the numbers flash—554 microroentgens/hour. An old burial area for structural materials...

In the 1940s there was no Radon NPO, but the atom bomb had already been created. The structural materials used were cut up and buried here in a concrete trench, covered over with cement as well, and covered with dirt...

Time passes, and the technology employed 40 years ago naturally differs from contemporary technology. Plans have appeared to rebuild the burial area—whence, apparently, the rumors.

"Can't everything stored in the trenches just be dug up and shipped out of Moscow?"

"There was such a plan. They started counting up what it would cost: two billion, according to five-year-old estimates. Not to mention the additional danger you would create in transporting and handling it... Today they have decided on something else—deep walls in the ground above covered with concrete and lead, surrounded by measurement wells. And continuous automated monitoring."

"What danger will these burial areas pose to the local inhabitants in the event of a critical situation?"

"If a terrorist penetrates the grounds and plants a bomb? Which is almost inconceivable in and of itself. We should nonetheless not go beyond the grounds of the institute, under the most unfavorable of circumstances, with such levels that would force the evacuation of the population. There is no fuel here."

"The institute has never buried anything at other places in Moscow?"

"No."

And they quoted me another argument that is perhaps more convincing for those who do not believe words alone.

The institute was constructed on a potato field on the outskirts of Moscow. It operated behind a triple cordon

of automatic devices. Access was insane, Beria personally monitored everyone who received a pass to the grounds. According to logic, what would there anything to ship out for?

"Sources of radioactive contamination are nonetheless occasionally found in Moscow."

"They have no relation whatsoever to our institute. You can find out for yourself—the inspection of all the territory is performed by the 1st Administration of the Ministry of Geology..."

*Some 254 people have telephoned the editors since the rubric was started up (see this paper for 19 May 90). Some 57 are demanding the immediate dispatch of a correspondent with a dosimeter. Another 35 want the contamination level of their apartments checked. But the editors still have only one dosimeter. And the file has 12 addresses (8 cited by readers) where our correspondents are being sent.*

I poked around in virtually every dangerous nook of the Kurchatov Institute with the radiometer. Where there were high readings, they corresponded to the category A norms for radiation safety—professionals working directly with sources of ionizing radiation—at 2,900 microroentgens/hour, 5 rems a year.

One thing remained—passing the "gatekeeper" monitor when leaving (no bell again, by the way), driving around the eight-kilometer fence of the institute.

It was 16 microroentgens/hour, 7, 19, 13...

At the closest point to the burial areas—18. The staffers of the institute that live in the "high-rise" alongside, they say, have installed their own instruments on the balconies. To be sure.

By the way, almost two thirds of the staffers of the institute live in the residential housing around it. Convincing.

*From the editors: Our dosimeter unfortunately has not yet been adapted to take measurements, for example, in liquids. The science and education department will be grateful to all organizations and institutions that help us solve this problem.*

*These measurements are, of course, being taken regularly without us as well. But as they say, it is best to see it once yourself...*

*Our telephone numbers are 257-23-68 and 257-27-65. It is best to call during working hours, from 2:00 to 6:00 PM.*

#### **French Specialists Used to Promote Nuclear Power Use**

904E0117B Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 23 May 90 p 2

[Article by KOMSOMOLSKAYA PRAVDA correspondent G. Mironova, Khabarovsk: "Agitators From France"]

[Text] I did not believe my ears when I was invited to a press conference on nuclear power by the French. What French? Why in the Far East? And at an AES [nuclear power plant]? Representatives of certain power-engineering firms, it turned out, had earlier visited Komsomolsk-na-Amure and the town of Solnechnyy—right where the “planting” of a new nuclear plant is being proposed. A storm of public opinion had risen up against the construction of the facility a year and a half ago, and the green movement had even taken on a bright-green hue. But “Now we have been received in excellent fashion,” the director of the AES under construction, V.T. Lebedenko, summarized the meetings.

Could the French have really reconvinced the Far East inhabitants in a jiffy?

They really were the best—charming, intelligent, experienced—since they had run up against the powerful negative attitude of the population at home at the start of the intensive development of nuclear power and had waged a whole campaign for seven years, ultimately achieving complete success. Today there are 51 nuclear power units operating across the territory of France, small even compared to the Far East region, generating the cheapest power in Europe. Minatomenergo [Ministry of Nuclear Power and the Nuclear Industry] intends to make use of the “French experience” in working with public opinion. The meeting at the hottest spot—Solnechnyy—showed that the calculations were precise. While the people do not believe their own superiors, the explanations of the foreign specialists produce a quite different impression, the more so when emotions are not raging and facts can be received rationally—and they were, by the way, convincing.

But the representative of the firm, on the flight from Komsomolsk to Khabarovsk, suddenly saw a “bald” tire, even with a hole, on the landing gear at the airport. “We could all be killed!” he exclaimed with horror. The rest of the passengers smiled—we have long not permitted ourselves to be afraid of flying in such aircraft, although, of course, it could all be so. But if we permitted ourselves in the end to be afraid of the “holes at an AES” and understand everything correctly regarding nuclear power, then perhaps we will not need French experience, but rather some different experience?

#### **Reforms in RSFSR Nuclear Energy Program, Standards Urged**

90WN0190A Moscow LITERATURNAYA ROSSIYA in Russian No 23, 8 Jun 90 pp 16-17

[Article by Boris Kurkin: “System of Nuclear Irresponsibility”]

[Excerpts] The development of strict and dangerous technologies, such as nuclear power engineering, requires society to guarantee a number of cultural-psychological, sociopolitical, and economic conditions, a lack of which puts society on the brink of suicide.

[passage omitted]

Something that can serve as a good illustration of the system of mutual lack of monitoring and irresponsibility that has developed between the “upper” and “lower” classes in the nuclear pyramid is seen in the situation with the steam generators for the VVER-type power units.

We have already dwelt on this question in a previous article, entitled “Stew Made From Dead Rats” (LITERATURNAYA ROSSIYA, No 50 1989), but the situation is becoming constantly more aggravated. We might remind the readers that each power unit has four steam generators. And if one of them “flies away,” it is more convenient to change all four of them at the same time.

However, it's easy to say “change them,” but it is not clear where we should put the unserviceable ones or what we should do with them, since a steam generator is a device in which there is an accumulation of high radioactivity, and therefore it cannot simply be thrown on the dump heap—it would seriously pollute the environment. Everyone who has operated VVER-type units has encountered this situation.

The Balakovskaya AES proved to be no exception. After dismantling the steam generators, the people there decided to send them away to be remelted, but... the railroad workers refused to carry the nuclear contaminants to the other side of the world, especially in such a tremendous quantity, contaminating the trains and the entire railroad. The metallurgists also refused the recommendation that they accept the hundreds and thousands of tons of radioactive metal to be remelted.

Only one alternative remained: to decontaminate the steam generators on the spot. But the problem with this was where to put the liquid remaining after the steam generators had been decontaminated. You couldn't just throw it out the windows of the buildings, could you?

In general, the situation that developed at Balakovo indicated that the successful operation of a nuclear power plant requires the construction nearby of small metallurgical plants that would be previously doomed to play the role of lepers, or, to put it more accurately, persons who had been radiated, the output of which plants could be used, for example, to manufacture containers for the radioactive waste products.

The leadership of the Balakovskaya AES took the path of deciding to avoid the difficulties that had arisen by simply... quietly shutting down the steam generators on the territory of the power plant. (“And issued the order to have them buried somewhere,” as the song goes.) In other words, they decided to contaminate the ground water, inasmuch as the ground water is very close to the surface there. No one knows how all this would have ended if the Greens had not raised a ruckus and disrupted the carrying out of Operation Memorial.



Soon the Rostovskaya AES will also come up against the same problem, if, God forbid, that nuclear power plant is activated. The ground water there is also very close to the surface, just as it is in Kostroma.

Putting it briefly, the problem of burying the steam generators is a problem that is shared by all the nuclear power plants that operate VVER power units. And it is becoming aggravated with every passing day thanks to the fact that, as a consequence of design shortcomings, the total service life of the PGV steam generators is not the specified 30 years, but only two or three years. As is indicated by arithmetical computations, during the 30 years of operation of a nuclear energy plant (and on the basis of the present-day situation this is its maximum "life"), each energy unit will have to bury from 40 to 60 steam generators, each weighing 400 tons.

At the present time, special burial grounds are being built for this purpose at the South Ukrainian AES, with the cost of one PGV burial ground being more than 200,000 rubles.

Already the direct and indirect losses from the production and operation of the PGV steam generators are rapidly approaching a billion rubles. Obviously, they will continue to increase.

And yet the designers were supposed to provide for different alternatives for dismantling and decontaminating the steam generators, just as they were supposed to provide for the dismantling of the nuclear power plant itself and the decontamination of its large-sized equipment. But, unfortunately, the irresponsible practice of nuclear power development in our country is carried out under the strictly materialistic slogan "If we die, the burdocks will grow."

And, sure enough, they have grown, and they are radioactive...

But what about the leadership? Do you think that they are sleeping? No, the leadership, as they used to say in the city of Glupovo [Stupidtown], "is sleeping with one eye shut, but can see everywhere with the other one." And it really does see. For example, on the very eve of 1989 N. I. Ryzhkov requested USSR Academy of Sciences and his ministers, particularly L. D. Rebev, who at that time occupied the position of minister of medium machine-building, to explain to the government what was being done with the steam generators. However, so far as I know, the Council of Ministers did not receive any answer to that request, and, as is customary, in view of the lack of such answers, no guilty individuals were discovered.

True, in one of his findings, V. I. Subbotin, chairman of the USSR Academy of Sciences Commission for the Safety of Nuclear Power Plants, stated that the operation of the PGV-1000 can result in a major accident at a nuclear power plant. But one must assume that these papers were not very interesting to anyone, or, if they

were interesting, it was not sufficient to make any decisions concerning them, much less to carry out those decisions.

Meanwhile on 5-9 March 1990 in Berlin (West Germany) there was an international conference of the countries that are "operators" of VVER-type nuclear power plants. USSR representative G. Tarankov who spoke at that conference, referring to a report given by the chief designer of the steam generators, remarked that from October 1986 through March 1989 twelve steam generators had gone out of commission at the VVER-1000 units (we might recall that the cost of connecting and installing the four steam generators is approximately 25 million rubles, plus approximately 40 million rubles of losses from nonproduction of electric power—TRUD, 21 April 1990). However, if G. Tarankov had not limited himself to last year's data and had not been too embarrassed to publicize the 1990 information that, one must assume, he has available, the non-Soviet participants of the conference would have learned that, as a minimum, 26 steam generators have already gone out of commission.

Nor did our chiefs get any temptation to make a trip to the Podolsk Machine-Building Plant imeni S. Ordzhonikidze, where the steam generators are produced (just as they are produced at the Volgodonsk Atommasht Plant) and where V. F. Grebennikov is the director.

While the people at the nuclear power plants are racking their brains about where to put the unserviceable steam generators, and at some of which pits are already being dug, V. F. Grebennikov prepared at the Nuclear Power Engineering Department of Moscow Energy Institute, which department is headed by 1989 USSR State Prize winner Professor N. G. Rassokhin (who, incidentally, received it for his textbook on unserviceable steam generators), a doctoral dissertation. If God is willing, Comrade Grebennikov will receive the degree that he seeks—the degree of doctor of technical sciences—by overcoming all the VAK [High Degree Commission] obstacles, roadblocks, ambushes, escarpments, and counterescarpments! The statement concerning the introduction of the long-suffering brainchild that is so dear to his heart is absolutely genuine! And the introduction is not fake, but done in absolutely physical terms. True, the "economic benefit" from its introduction will cost the country several billion rubles worth of losses. But the crux of the matter is not in the losses, but, rather, in the introduction and in the practical significance of the doctoral dissertation. In general, it cannot be said that the people in the government do not know that the situation with the steam generators is suspicious. Either they know it or, at least, can guess it. But they are not taking any steps to correct it. None have been visible so far.

But if the situation with the steam generators seems to some to be unconvincing in view of its ordinariness, I can give another example

As everyone knows, the Volgodonsk Atommash Plant (previously, imeni L. I. Brezhnev) began crashing down, in the most literal sense of the word, into the ground, inasmuch as it had been built on soil that is not suitable for the construction of a gigantic plant. It turned out, however, that there was no one to hold accountable for the collapse: the designers had flown off in all directions: some to Israel, others to America. Despite this fact, right next to Atommash, on the very same quicksands and karsts, the Rostov AES is ready for activation at any moment. And also, right next to Atommash, on the very same quicksands, yet another gigantic construction project is being built—Energomash.

As long ago as 27 March 1985, in his letter to USSR Council of Ministers, No. 516-P, N. K. Baybakov, who was at that time USSR Gosplan chairman, emphasized the undesirability of building that plant in view of the fact that "the allocated construction site has soil types that are unstable and are strongly compressible, the existence of which leads to a considerable increase in the construction costs and does not guarantee the reliability of the buildings or structures to be operated."

And what has changed since then? Nothing. They are still building the way they were then.

The fact, nevertheless, proved to be so curious that certain KGB operational workers thought that it was economic sabotage. But, apparently fearing the possible accusations of inciting espionage mania, they simply sighed and waved it away.

Well, to hell with those steam generators! Has anyone been held responsible for Chernobyl? Or can we, with the most serious expression on our face, assert that the chief culprit in that colossal catastrophe is the power-plant director?

Has any of the experts on the Governmental Commission been held responsible for reducing by an entire magnitude the scope of the Chernobyl catastrophe? Or our government?

As has turned out by the fourth anniversary of Chernobyl, a rather large number of claims against the government and the Politburo have accumulated in society...

Yu. A. Izrael, Goskomgidromet [State Committee for Hydrometeorology] chairman, has heard many accusations leveled at him with regard to Chernobyl—accusations of belittling the scope of the Chernobyl catastrophe, deliberately misinforming the public, keeping information secret, etc. And he complained about this on the pages of PRAVDA (17 April 1990). Many people probably will also remember last year's procedure for confirming Yu. A. Izrael to the position of minister in USSR Supreme Soviet, which procedure occurred in an extremely stormy manner. Many will also remember how bravely Yu. A. Izrael was defended against the "unsubstantiated attacks" of a number of "immoderately" zealous deputies by N. I. Ryzhkov himself. And no one, after the confirmation of Yu. A.

Izrael to his ministerial position, apparently doubted the fact that Yuriy Antoniyevich owed everything to Nikolay Ivanovich and that, to his dying day, he would be thankful, or at least grateful, to him.

But not even a year passed when, at a discussion of the problems of Chernobyl in USSR Supreme Soviet, Yu. A. Izrael suddenly "surrendered" Nikolay Ivanovich, stated that all the "reliable information about the actual situation at the Chernobyl AES and in the rayons that had suffered from the catastrophe had been sent to the leadership of the union government and, in particular, to N. I. Ryzhkov.

"As early as 2 May 1986, at a meeting of the governmental commission on Chernobyl, Goskomgidromet representatives insisted, as Yu. A. Izrael asserts, that the inhabitants be evacuated from the entire 30-kilometer zone. However..." (IZVESTIYA, No 106, 1990).

That is the kind of ingratitude with which Yuriy Antoniyevich repaid Nikolay Ivanovich... However, even this does not remove the responsibility from the minister, since he had downplayed the data, and our premier, if one is to believe this information, "merely" slapped the word "Secret" on that data. The results of those operations are already known to the entire world—the loss of the health of hundreds of thousands of people. And, once again, no one of those persons bore any responsibility for that.

And what should be done with the Turkish tea, that was grown on the Chernobyl fallout and that is piled high on our store shelves? Because it is no secret that Turkey demanded compensation from the Soviet government for Chernobyl. So we are buying exceedingly radioactive tea...

And here is yet another curious example. At one of the meetings with the residents of Nizhniy Tagil that was held in late April, the USSR President was asked whether he felt any personal responsibility for Chernobyl or the obvious delay in taking steps "to eliminate its consequences."

The question evoked in M. S. Gorbachev obvious perplexity. Actually, as becomes obvious from recently published articles, in 1986 the system of collective state-political irresponsibility still prevailed in our country. Did it cease to exist after the introduction of the institution of the presidency?

Until we answer that question, all the claims leveled against the highest officials, if the event that, once again, "God forbid, there might be a big bang somewhere," will be senseless.

Incidentally, in July 1986, by a Politburo decision, A. G. Meshkov, first deputy minister of what was then medium machine-building, "because of his major errors and shortcomings in his work, which led to an accident with serious consequences," was relieved of his duties in the position he occupied, and, as people used to say in

the olden days, "with the publication of said fact." Last year A. G. Meshkov was restored to his previous position, albeit without "publicity."

A special topic is the classifying of information, the consequence of which, as a rule, is the formation of a narrow group (clan, Mafia) that monitors the information going "to the top" and "to the bottom." This creates the opportunity for deliberately misinforming both the government and the public, and this, in the final analysis, leads to the degradation of scientific developments, to the degradation of the associates' morale, and to outright crimes.

As a result of the closing of the information channels it is possible to create, and quite often there is actually created, a situation when neither the government nor society knows the true state of affairs and both are kept completely in the dark, while the whole scenario is run by one departmental clan or another. The government is misinformed through one set of channels, and the public through another.

The way in which society is misinformed could serve as the plot of detective stories. Therefore, for lack of space, we shall limit ourselves only to a few examples.

V. P. Antonov, the previously mentioned head of the Laboratory of the Antiradiation Protection of the Population, All-Union Scientific Center of Radiation Medicine, USSR Academy of Medical Sciences, asserts in his pamphlets that were blessed by Ukrainian SSR Minzdrav and USSR Goskomatom that the half-life of the long-lived radioactive elements can be reduced by "zoning the agricultural and land-reclamation operations" and much, much more (V. P. Antonov, "Radiatsionnaya obstanovka i yeye sotsialno-psikhologicheskiye aspekty" [Radiation Situation and Its Sociopsychological Aspects], Kiev, 1987). But could this simply be flagrant ignorance?

And this is what, for example, Yu. V. Petrov, doctor of physical-mathematical sciences from Gatchina, writes: "...both in the production and obtaining of energy and the removal of waste products, uranium proves to be the **fuel that is least influential on the environment** (author's emphasis)" ("Yadernaya i termoyadernaya energetika budushchego" [Nuclear and Thermonuclear Power Engineering of the Future], Schoolchild's Popular-Science Library, Moscow, Energoatomizdat, 1987, p 175).

However, as is attested to by practical life, the activity rate of the fuel that has been depleted in a reactor exceeds by a factor of millions (yes, millions!) the initial activity rate of uranium.

Somehow it is awkward even to suspect the Gatchina physicist of this vulgar distortion of the "multiplication table," or could it be that he has simply forgotten his physics?

So, has anyone been held responsible for the criminal policy of locating nuclear power stations in our country? No!

Has anyone been held responsible for the extremely unsatisfactory supplying of medicines to the population that has suffered? No!

Have the conditions been created for a new Chernobyl? Yes!

You might recall the words of the revolutionary song: "'We are fanning a worldwide fire... We shall bring the churches and prisons down to the ground!'" Well, the churches have indeed been brought down to the ground, but for some reason there definitely has been no shortage of prisons, and there also has been no increase in responsibility. But, even after Chernobyl, you cannot intimidate anyone anywhere nowadays by the threat of prison.

Chernobyl... Has any of the responsible workers been held completely responsible, has any of them been held accountable for the loss of two million hectares of agricultural land? Has any of them asked himself how we are supposed to continue living and what we shall eat?

No one has been held responsible, and no one has even thought aloud about this... Because none of them lost anything from Chernobyl. Who do those millions of ruined hectares belong to? No one. That's to say, they belong to the entire nation.

The entire horror and social idiocy of the situation that has been created consist in that the interests of the representatives of the authority, and the authority itself, have not been affected by Chernobyl or the losses of the land.

And if it were not for the grumbling and indignation, the letters and complaints, and the tears and the wailing of the people who suffered from Chernobyl and who are defending their right to life and existence, none of the representatives of the authority would even flinch. And why should they? So, if we want to create a system of responsibility, we must also create a system of real ownership.

"Well, then, what's to be done?" is the age-old Russian question that arises. It would seem that, in order to create a system of responsibility, it is necessary to define precisely the subject of responsibility, to personify that subject.

That would become possible in the event that the decision to erect a particular nuclear project on a particular territory were made after the conducting of an appropriate referendum.

In the event that that referendum had an outcome that was positive for the nuclear departments, an appropriate contract could be concluded between the local soviets and the appropriate department (preferably with an independent nuclear-power company operating under a

system of cost accountability), which contract would govern the procedure and volume of compensation for any material or psychological damages incurred by the public or any damage to its health. That would make it possible to avoid excessive social tension and would make the population of the various oblasts the responsible subjects of the decisions being made, who are voluntarily assuming the risk of any possible consequences, rather than the voiceless objects of political or other manipulations.

On the other hand, this would require the nuclear bearer of responsibility to present information ahead of time concerning his financial capability to pay the extremely probable "accident bills," and to be concerned about the providing of medical support to the region in which the construction of the nuclear project is proposed. Therefore, the first task in guaranteeing nuclear safety is the creation of the appropriate "accident fund," with that fund being created not at the expense of the taxpayer (otherwise why would that fund be needed?), but at the expense of the nuclear company. Specifically an independent company, operating under a system of cost accountability, since the department will cover its own expenses with regard to accidents, once again, by charging the state budget, that is, at the expense of the nation.

In order for us to have subjects that are actually responsible for their own deeds, including catastrophes, it is also necessary to carry out a fundamental reform of our socioeconomic and political life, as a result of which, in the opinion of Professor Yu. I. Koryakin, cost accountability will be introduced when operating projects that produce power. He feels that it is necessary to take the power capacities, including the nuclear-power capacities, out from under the control of the central departments and to resubordinate them to the local authorities; to introduce payment for the use of natural resources—land and water; to eliminate the central power departments and create on their base construction-design and scientific-research companies that offer on a commercial basis to the local soviets alternatives for resolving the regional power tasks, inasmuch as it is impossible, on the scale of our entire country, to organize the administration of power engineering, including nuclear, from a single center.

However, unless we educate a person with a conscience (a "God-fearing" person) to be the executor and administrator of the nuclear programs, even these measures will be obviously insufficient.

Another condition for guaranteeing a system of responsibility is the existence of superdepartmental, parliamentary overview of the projects with increased danger, and not only nuclear ones. I might be reminded that we already have a kind of such overview, and the example given to me might be that of Gosatomenergotekhnadzor [State Committee for Safety in the Atomic Power Industry] (GAEN).

However, essentially speaking, no one can order GAEN to do anything, and any paper that is ejected from deep within it must be coordinated with those very same departments that that paper is intended to bring to reason. It is interesting to know what you, my dear reader, would say if our Supreme Soviet, when adopting a Criminal Code, would begin to coordinate those articles with criminal repeat-offenders.

Nor should we forget the fact that by no means all of the nuclear-power units are under the supervision of GAEN, but only those that previously, that is, prior to 1986, were under the jurisdiction of Minenergo [Ministry of Power and Electrification]. Thus, all my attempts to find out at GAEN whether a major accident had actually occurred in March 1989 at the Shevchenkovskaya AES proved to be unsuccessful. "We don't know. It's not our reactor," I was told by GAEN employees who were obviously puzzled and embarrassed by my question.

The conclusion suggests itself: GAEN, like Goskomproda [State Committee for Environmental Protection], must be taken out of subordination to the Soviet of Ministers and they must be subordinated directly to USSR Supreme Soviet and the Congress of USSR People's Deputies.

The next important element in the system of our nuclear nonsupervision is the lack of any safety legislation, including legislation pertaining to nuclear safety. For that reason it is necessary to introduce urgently into the USSR and RSFSR Constitutions articles pertaining to safety that guarantee USSR citizens the protection of their life and health in the event of serious accidents, including nuclear ones.

In conformity with the constitutional standards, it is also necessary to develop precisely worded legislation concerning safety. Only in this instance will the agencies of technical overview, for example GAEN, having become an agency of the USSR and RSFSR Supreme Soviet, be able to carry out their functions that are vitally important to society, by relying on the law, rather than upon departmental decisions and resolutions that have been "coordinated" and thus are often completely irresponsible, and that completely destroy the idea of strict state nuclear supervision.

Finally, it is necessary to develop the ideology itself for nuclear supervision: at the present time that ideology simply does not exist. Incidentally, this does not trouble anyone in the leadership. On the contrary, it creates favorable opportunities for mindless branch expansion.

The ideology of supervision must include the idea of the issuing of a license from USSR Supreme Soviet or the Supreme Soviet of the union republics for the construction of a nuclear or other dangerous project (chemical, etc.). Obviously, the license can be issued only after an outcome of the referendum that is positive (for the nuclear company).



This would mean the creation of a system of making a state decision with regard to the construction of a particular nuclear (or other dangerous) project.

The license must be issued not only for the erecting of the project itself, but also for the individual stages of operations, such as the choice of the construction site, the bringing in of nuclear fuel, operation, and removal from operation.

There must also be supervision in the process of construction. The ideal situation must be the following: one company builds, and another supervises the first company. That's expensive, of course, but it has to be done: people's lives and the country's security are more expensive. Or, rather, they are priceless.

It must also be clearly understood that, under the conditions of a universal shortage of financial means and products of production, our departments do not have a self-interest in increasing the severity of the safety standards, which leads to the investment of considerable funds. Unfortunately, in our society the state produces, and it also supervises itself. Under these conditions, there can be no discussion of any system of responsibility and safety. Therefore, in order to guarantee our safety, it is necessary to carry out a fundamental economic reform, as a consequence of which the subject of production would be independent companies operating under the principle of cost accountability, the activities of which will be supervised by the state. It is precisely the state that must create the system of "stick discipline," a system of the strictest supervision of production safety.

And if one considers the fact that most of the joint enterprises, a number of which represent a direct threat to our national security, are being built in RSFSR, the Russian parliament will have to create within the

shortest periods of time its own republic-level system of legislation dealing with ecological and other types of safety, which system is possibly even more rigid than the unionwide system, and also to discontinue temporarily the action of all the international agreements that affect the interests of Russia, with the purpose of ascertaining their acceptability to Russia. Because it is precisely in Russia that the enterprises for processing the nuclear waste products from the nuclear power plants are situated. It is precisely in Russia that it is proposed to begin building graveyards for radioactive waste products, including waste products shipped in from abroad.

Therefore it is necessary within the shortest periods of time to consider the question of the possibilities and conditions for exporting electrical power from Russia to foreign countries and to other union republics, as well as for receiving from Lithuania (the Ignalinskaya AES) depleted nuclear fuel. However, this will be possible only under conditions when Russia has changed over to republic-level cost accountability and the law governing the national sovereignty of RSFSR and republic laws governing the land and property have been adopted.

Problems that are no less important are the creation of rigid republic legislation governing joint enterprises, as well as the working out of a strategy for Russia's foreign-economic cooperation with foreign countries on mutually advantageous terms, and the most rapid reconcluding of USSR and RSFSR treaties with the interested countries concerning the returning to us of depleted nuclear fuel.

We might recall that the Russia that was bequeathed to us by our ancestors is not Europe's dumping ground. And if the all-union departments do not understand this, it would be better for them to transfer their bases somewhere else, to other places—outside of Russia.

### Klochkov Responds to Criticism of Union Federation

904F0202A Moscow TRUD in Russian 29 Jun 90 p 2

[Commentary by I. Klochkov, chairman of the Federation of Independent Trade Unions of the RSFSR: "Challenge to the Command System: Of Whom Are the Trade Unions of Russia Independent?"]

[Text] The proclamation of the Federation of Independent Trade Unions of the RSFSR (FNPR) in March was a kind of challenge to the administrative-command system and an attempt to destroy the "iron" stereotypes of the hierarchical administration of obedient trade unions "from above," from the "staff." It was a radical step that many did not expect. The polemics about the new trade unions is also reflected in numerous letters received by the FNPR Council and by TRUD. The editor's office asked the chairman of the Federation of Independent Trade Unions to comment on the most critical of them.

I frankly admit that I do not care much for official papers, many of which are the product of a bureaucratic style and overcautiousness.... Although I do understand, of course, that one cannot totally get along without paper. The letters from people are a gulp of fresh air in this flow, regardless of what is in the mail: sharp criticism, support for our actions or suggestions and comments. I would like to thank all of the authors of letters. Letters, of course, cannot replace direct contact with workers at the lathe, borehole or construction site (my recent trips to Vladimir, Tula, Tyumen and Murmansk oblasts gave me much to think about) but nevertheless the mail is an extremely important channel of "feedback." It is precisely for this reason that every evening with undiminished interest and expectation I open a thick folder marked: "Letters." Today I would like to respond to the especially critical and angry letters.

"There is just one thing that I do not understand: What is the meaning of this whole game of words? They thought up the name Federation of Independent Trade Unions of the RSFSR but what kind of 'independent' trade unions are they if they are part of the AUCCTU [All-Union Central Council of Trade Unions] and if everything they do is dictated by the CPSU Central Committee? Is this independence?"—V. Sokolov, a worker from Moscow

One could answer briefly: not only are there no dictates or pressure from the CPSU Central Committee but there is not even any particular interest shown in our activities. In general, we are not offended, although we are prepared for contacts on an equal basis in the future as well, including with the recently established Communist Party of the RSFSR.

Our trade unions are indeed free organizationally, ideologically and in every other way. That is, they are independent of the CPSU Central Committee, of the government (the trade unions must become its constructive opponent) and, of course, of the AUCCTU. People often ask: "How can that be when the FNPR is part of

the AUCCTU?" Yes, it is part of the unified trade union center of the country and we do not intend to isolate ourselves in the future either. But this merely means our striving to consolidate the trade union movement and the possibility of resolving those problems that by law are in the competence of the USSR. But it is not a matter of any dictates by the AUCCTU. We are completely independent in our decisions. And it is very clear to everyone that our positions differ significantly in a number of important aspects. The published statements of the FNPR and our actions are evidence of this.

This is essentially the whole answer. But I think that it would be incomplete if I did not say something about the fundamentally new principles in the organization of the work of our trade unions.

The federation organizes its own work under the principle of voluntary participation and free departure from it, equality of rights and independence of members, collectivism and glasnost in the work of managing bodies, their accountability to member organizations, respect for the opinion of the minority and its right to protection. This would have seemed to be a utopia until recently: all of our trade union organizations, beginning with primary organizations up to the level of the republic trade union center, are completely independent. No one commands anyone else and every trade union organization after the primary organization carries out the functions delegated to it by the founder.

The federation is cemented by the delegate principle of organizing all of its structures. At the same time, it should be stressed that the independence of the Russian trade unions is only proclaimed and declared by the founding congress. But to gain it in reality and to overcome the syndrome of statification and subordination is a more complicated matter and will depend upon the primary organizations and all trade unions and upon the boldness and persistence of their leaders.

"Many leaders of regional trade union bodies and trade union committees of enterprises are members of party committees. Here it is clear to everyone that the party obkom or party committee of the plant will simply keep the trade union on a short rein."—V. Kruglikov, former trade union committee chairman from Voronezh.

This question is truly current and acute and widely discussed at the present time. A direct question deserves a direct answer. Under the conditions of multiple parties now developing in the republic and country, I consider it expedient for trade union leaders to refrain from participation in elected bodies of the CPSU or any other parties. That is, they should participate neither in enterprise party committees nor in the party gorkom, obkom or central committee. This is also necessary so as not to give any cause for an accusation of partisanship toward any particular political movements or of sympathy or antipathy toward parties.

Our policy is to maintain equal distance away from different kinds of political movements, groupings and

parties and to unite working people on the broad basis of the protection of their economic interests and legitimate rights and social guarantees.

**"If the FNPR is really independent, then tell us your attitude toward the demand of the miners' congress in Donetsk for the resignation of the government and the formation of a new one."**—D. Nikishkin, Leningrad.

I will express my personal point of view. The miners are rightfully indignant. The well-known decree of the USSR Council of Ministers is largely unfulfilled and the government did not meet the hopes of the miners. In a number of cases, it does not have a grasp of the situation and is making many miscalculations and mistakes, which to a considerable extent contributed to the collapse of the consumer market, the deepening of the unprecedented economic crisis and the increase in social tension in the society. And the readers of TRUD see everything themselves. It would seem that even matters that are not very complex are becoming an unsolvable problem. Take the question about paper, the shortage of which means that for four weeks now a significant share of subscribers to TRUD—and this is millions of working people—have not received their newspaper, despite the assurances of the government leaders that paper will be allocated....

All of this is so. I will say more than that: the FNPR seriously criticized the government's concept on the transition to a regulated market as being incompletely thought out, not providing for specific mechanisms for social protection and not giving precise forecasts of the dynamics of the standard of living for different groups and strata of the population, regions, etc. We support the criticism of the government's proposal to raise prices for bread, a basic food product in many regions of the country. I consider this a major political mistake, at least in the form in which it was presented.

In my opinion, however, it is too early to raise the question of the immediate resignation of the government. The past period was a good school for the Council of Ministers. The government has now been given a last chance to develop an effective economic program by September, paying particular attention to specific mechanisms for social protection. It is necessary to wait until September and not that much time remains....

**"For decades we were told about the horrible exploitation under capitalism. Here, they said, there is no such thing. But if you visited the Scandinavian countries or Great Britain, for example, and studied this problem, then you would reach quite different conclusions."**—T. Semikhin, economist from Smolensk

I also think that it is time at last to tell the truth. And the truth is that exploitation is worse here than in many highly developed countries. And what difference does it make to the worker where the money that he does not receive goes—to the capitalist or to the state, where it is then ground to dust by the Moloch of mismanagement. This is why it is necessary to amend the Code of Labor

Laws and to introduce the notions of the hired worker, labor market and price of manpower. All of this was considered (and is still considered by some) to be the most horrible ideological revolt. But it is time to abandon such dogmas.

Today workers sell their labor at rates imposed from above by the state. And those who suffer the most are the most qualified and enterprising masters of their own fate. New labor relations arise in the market, where for each side (the hired worker and the employer) obligations and rights must be strictly delimited. And manpower will be valued according to the laws of the market.

Three forces will interact under the new conditions: hired workers in the person of their own trade unions, employers (various associations and alliances) and the government. For this reason, the FNRP sees one of its urgent tasks to be the most rapid development and adoption of a new Code of Labor Laws by the RSFSR Supreme Soviet taking into account extensive international experience.

Under the conditions of the market, three forces—strong trade unions, employers and the government—are capable of advancing the entire society along the path of progress in opposition and in an open and public struggle and without accumulating social tension, which only slows down progress and causes discontent.

**"What a phantasmagoria: a director and a worker in the same trade union. But they have different interests...."**—V. Milekhin, a planer operator from Novosibirsk

I agree completely. Workers rightfully state that a director cannot be a member of a trade union. Employers and hired workers do indeed have different interests. This is not a simple question and it has yet to be resolved.

**"I would like to know whether the FNRP supports strikes as a means in the struggle of working people for their rights?"**—A. Grushin, a driver from Tambov.

Strikes, of course, are possible. But this is an extreme measure. For they harm the workers themselves, not to mention the interests of the region and country. And there is no need to resort to this weapon immediately. There are means that are no less effective. Say, the organization of mass meetings and demonstrations in support of some particular demands. Such meetings and demonstrations, coordinated in time and bringing together a large number of people, make it possible, without stopping production, to fulfill just demands. Or, let us say, such a measure from the arsenal of the trade union struggle as working by the rules. That is, the work is performed but strictly within the bounds of the rules. The result of this is well known. There is also the warning strike. In short, it is necessary to possess all methods, including, of course, the strike weapon.

But in starting a strike, it is necessary to know what it may lead to, how long it may last and what its material

consequences may be. We also have to think about strike funds. After all, the entrepreneur is not going to be paying wages. So it is necessary to be concerned about how the trade unions must act in this connection so as to be prepared for strikes.

**"Our dues will again be used to support the apparatus, this time the FNPR."**—T. Kishchikov, Ryazan

No, this is not correct. As for the minimum size of the staff of the FNPR Council now being formed, it will be maintained primarily at the expense of publishing and other economic work that must provide funds not only for the work of the commission of the federation council but also replenish its solidarity fund. And our "functionaries" are of another kind. They are experts and consultants—highly qualified specialists hired under a labor contract.

Now about dues. Their amount will be determined, of course, by the member organizations themselves on the basis of an agreement and consideration of mutual interests. And one of the main concerns under the new conditions is the formation of strike funds. This is part of the solidarity fund of the FNPR Council.

Under public control, the assets of the fund will be expended on the basis of collective decisions to finance specific actions of solidarity (assistance of victims of natural disasters and ecological calamities, measures of solidarity with the working people in the event of labor conflicts, charitable acts and other humane goals).

The result is that the allotments to the FNPR Council are essentially "self-insurance" of the trade union members against different kinds of adversities and difficulties.

I would like to say in conclusion that the focus of action of any trade union organization must be problems affecting vitally important interests of people: wages, price increases, the length of the work week, the system and conditions of labor, vacations, pensions, unemployment assistance and help in finding work and retraining. This is the main content of the work of any trade union organization. Its authority can increase only proportional to the successes in the struggle on precisely this front.

The independent trade unions still have to master civilized forms and methods in the fight for their rights and in defending their demands for the protection of the interests of working people. We will not turn away from this course.

#### **Independent Co-op Trade Union Association's Role Discussed**

904F0154A Moscow *RABOCHAYA TRIBUNA*  
in Russian 2 May 90 p 2

[Interview with V. Kozlov by A. Yevgenyev: "Who Will Protect the Cooperative Worker?"; date and place not given]

[Text] V. Kozlov, vice-president of the All-Union Association of Trade Unions of Cooperative Enterprise Workers, answers questions by *RABOCHAYA TRIBUNA*.

[Correspondent] Vladimir Borisovich, for our cooperative workers a great deal is not yet as we would like. It seems that the attempt to establish unified trade unions has turned into an extraordinary occurrence. Several trends have been formed in them right away.

[Kozlov] Everything that happens with cooperative workers' trade unions reflects present processes in the cooperatives themselves and their complicated relations with the state. But I am an optimist and am confident that in time everything will fall into place.

[Correspondent] As is well known, unions based on types of activities—of physicians, of builders, and so forth—also operate. Their function is to protect the interests of cooperative workers and to jointly solve economic problems. Is a trade union needed in such a case?

[Kozlov] There is no doubt of it. Cooperative workers, like all people, get sick, receive injuries, get old, and, consequently, need guarantees that during a difficult time they will not remain face to face with their problems. Meanwhile, the unions, which you mentioned, do not deal with social insurance and social security. Moreover, the union leadership has become completely absorbed in politics and has put everything else in the background.

[Correspondent] Your association, which was formed last September, stresses its independence from the AUCCTU [All-Union Central Council of Trade Unions] in every possible way.

[Kozlov] If someone is to blame for our isolation, it is, first of all, the all-Union council. You remember how, for example, the 6th Plenum of the AUCCTU raised the question of cooperative workers. Essentially, it was a matter of eradicating free entrepreneurship in our country. What protection can be expected with such an attitude toward cooperatives?

And what about the following case: The government instructed the AUCCTU to prepare a draft decree on the amount of and procedure of exacting social insurance funds from cooperative enterprises. The AUCCTU, dragging out this work without justification, sent out letters to localities, which virtually sanctioned the arbitrariness of financial bodies. Cooperatives were either forced to transfer to AUCCTU the sums established by oblast trade-union councils as they saw it, or in case of refusal, were subjected to persecutions, right up to their closing.

[Correspondent] However, now there is complete clarity here.

[Kozlov] Not at all. For example, it is impossible to find out how many social insurance funds have been collected and how they are used. Such information is not published. According to my estimates, last year cooperative



workers transferred to social insurance funds about 300 million rubles. However, there were not many "patients" at all—cooperative workers do not like to be sick. Only a few people retired on pensions. For what was the rest of the money used? Perhaps for an increase in the wages of the state and administrative apparatus? However, we would prefer to support the 40 million people, who, according to official statistics, live below the poverty line, not officials. We would like to support them openly, so that everyone knows about this. You can believe cooperative workers, at least most of them—they are not indifferent to their reputation.

We would like to build our relations with the state on a contractual basis. In our opinion, this should look as follows: The government instructs the association to collect the insurance fee. It can be the same or differentiated. It is important that this sum be singled out in a separate line in the budget and that our trade unions be able to control how it is spent.

Here it should be understood: Social insurance funds, as part of the income of cooperative workers, retain their cooperative nature and, in fact, are transferred to the budget under loan conditions. Therefore, the unused money should be returned to the association the following year. If the state needs it acutely, it can put the money into circulation, but only with the consent of the cooperative workers' trade union.

[Correspondent] Let us assume that the remainder is transferred to the association...

[Kozlov] Like the funds collected in excess of the norm established by the state it will be used for social and charitable purposes. For example, it is known that many cooperatives are closed illegally. As long as the litigation is going on, entrepreneurs do not have means of subsistence. Our trade unions are able to help cooperative workers who remain unemployed, paying them subsidies until the final court decision. Furthermore, with this money we would like to support, for example, Kalinin, Ivanovo, Gorkiy, and Yaroslavl handicraft workers, with whom the Russian industry began, and to strengthen the base of folk industries.

Or let us take the revival of culture. Judging from everything, the state will not have time for it for a long time. But we, by pooling resources, could do a great deal here. My heart bleeds when I visit Serpukhov. In this small wonderful city there are about two dozen cultural structures. But almost all of them are neglected.

[Correspondent] As a rule, independence is not cheap. Are you not afraid of the domination of "white collars"?

[Kozlov] We tried to maximally simplify the structure, preventing its bureaucratization. In general outline the scheme is as follows: the cooperative and then the oblast or the regional committee, which has three or four people, and the central committee consisting of five workers. We stipulated in advance that the cooperative, as a primary organization, can be directly subordinate to

the center, bypassing the oblast stage. For us, however, this is a signal putting us on the alert: This means that something is wrong in the medium-level link.

It is more complicated with equipment—with information banks, archives, premises, and so forth, without which it is impossible to work normally. To provide ourselves with this all over again, from scratch, is not a matter for 1 day. We believe that it will be fair if the AUCCTU and sectorial trade-union central committees share their equipment with us.

[Correspondent] Let us go back to the trends in cooperative workers' trade unions. So, your association independent from the AUCCTU...

[Kozlov] Next, those that have agreed to the conditions laid down and, nevertheless, have joined the All-Union Council under pressure. There are still others—those that have taken social insurance completely into their hands, although it has always been the prerogative of the state. They are the ones that have introduced the biggest confusion, calling upon cooperative workers to accumulate insurance funds in special accounts. They promise people: You retire on a pension and take out a tidy sum from the bank. Attractive, isn't that so?

In fact, however, this is what happened: Money began to accumulate in banks. Finance workers imposed a fine on it, considering it unearned income. Among "cooperative workers" there were also people who put it into circulation without a collective discussion. This is a fertile soil for abuses. Not everyone wants to understand this. Moreover, where is the guarantee that at the necessary moment a person can use what has been accumulated? Not everyone wishes to understand this. Therefore, an extraordinary plenum of the association's central committee removed B. Fedorov, S. Khramov, I. Gorbashev, and S. Kapterev from the leadership. However, having left, they continue to advocate their principles, winning over new allies for themselves.

[Correspondent] What is next?

[Kozlov] We have developed a so-called program of intentions and actions, where we have clearly set forth our position. A draft agreement with the government has been prepared. We hope to begin a dialogue any day now. We count on understanding. With regard to trends... I assume that cooperative workers will investigate everything themselves and will make a choice in favor of the trade union that will be really able to protect their interests.

#### **U.S. Trade Unionists Discuss Labor Issues During Visit**

904F0152A Moscow *RABOCHAYA TRIBUNA*  
in Russian 1 May 90 p 3

[Roundtable conducted by M. Botyan and Ye. Kubichev: "America Believes in Perestroyka"]

[Text] A group of trade-union activists from the United States of America visited the editorial department of **RABOCHAYA TRIBUNA** two days before the May Day holiday. The initiative for the meeting came from the Americans. When still in the United States they expressed the request to get acquainted with our newspaper.

Americans are people free and direct in their statements. A frank conversation began from the first moments of the meeting in the conference hall of **RABOCHAYA TRIBUNA**. At first the guests "attacked" the hosts of the meeting. It is difficult to mention problems that did not interest them. This is understandable. After all, all the 22 members of the delegation, except for the leader, have never been in the Soviet Union. It seems, however, that readers are primarily interested in our questions to the Americans and their answers. We publish below the record of the second half of the talk with small abbreviations.

**RABOCHAYA GAZETA:** A question that suggests itself. You have come to the Soviet Union for the first time. What are your first impressions? What has surprised and what has distressed you? What is the attitude of American workers toward our perestroika? Are they concerned with it, or are they completely preoccupied only with their own problems?

**Betty HENNEY:** With regard to your people, with whom I have already had occasion to talk, I would like to say that I like the Soviet people very much. They are very open, very frank and sincere in their answers, sometimes even poignantly sincere. But Moscow... I like only the center of Moscow. In their facelessness the new buildings resemble residential areas in the United States, which differ little from them. I am surprised that in your capital there are places where sidewalks are badly paved and there are constant potholes... In our country this simply cannot be, because the authorities immediately take any disorder under their control and everything is asphalted right away. But I must say that in Moscow there are very beautiful, simply amazing, places. Yesterday we visited one of such places and today I already have a better opinion of Moscow than on the first day of my arrival.

**Eric FENSTER:** I invite you to Detroit. There all the streets are numbered...

**Marilyn HEYMAN:** I was in several big American and European cities. And I cannot agree at all with what has been said here now. You know, the city of Detroit, where I live, resembles a military city—there is the impression that war is going on there. There are many deserted dilapidated houses with broken windows, where no one lives, and many abandoned factories and drugs are sold literally at every corner. All this is quite bad. But when I visited other American cities and returned to Detroit, it turned out that Detroit was not the worst city. The biggest difference, owing to which Americans love their homeland so much—in contrast to European cities—is the fact that very many Americans have their own homes

surrounded by clean yards. I think that Moscow is not the worst city. You have many good roads and good buildings, although there are also bad and uncared for buildings. However, Moscow is quite a decent city and I like the people of Moscow very much.

**Diana WEBB:** I find the Soviet people charming. They are characterized by warmth. With whomever I talked, I immediately found a very good response. And I see that Moscow's problems are very similar to those of San Francisco, because there, at home, I also feel the shortage of sufficient funds for maintaining cleanliness on the streets and keeping all buildings in order. With regard to perestroika, we greatly support the initiative of the Soviet Union. I have in mind the fact that the Soviet Government has decided no longer to spend money in vain on the militarization of industry. Of course, it is much better to spend this money on the transformation of these cities.

**Don WEST:** I read in a history textbook about wars, from which your country suffered so. I know how many people died in your country during the last war and I simply admire the way you were able to cope with all these difficulties and to restore the country. I am sure that perestroika is a long process. With regard to the second half of your question, hardly anyone has answered it, yet this is a very important question. I will answer it: What is now happening in the Soviet Union is of vast, enormous importance.

**Herman GILLMAN:** I have the impression that a vast number of political problems are now discussed in the press and television, but simple people continue to live their usual life as before. You know, in general, there is the same thing in the United States. In our country people talk more and more about their own problems and not about politics. In my opinion, the fact that people are able to freely and openly express their own opinions is a tremendous achievement of perestroika. I have read a great deal about interethnic conflicts, which now occur in your country. Unfortunately, however, I did not have the opportunity to go to the republics in order to see everything with my own eyes. Nevertheless, I will risk expressing the assumption that the success of perestroika will depend on how well you are able to resolve interethnic conflicts. Of course, readjustment of the economy will be the second factor in the success of perestroika. The difficulty lies in the fact that you want right away to change over to methods of economic activity new to you, of which, perhaps, you do not yet have an idea and in which you do not yet have experience. After all, this is a very difficult process. Believe me, we wish you every success and hope that nevertheless you will be able to achieve your goals against the background of consent among all groups and strata of the population.

**Angie BURGESS:** To the question whether what is now going on in your country is of great importance to America, I would like to answer the following: Yes, it is of very great importance. All of us live in one world and

on one planet and everything that happens with one great nation, of course, affects another great nation, as well as all countries and the whole world. I think that the moment when we should become allies is now. The point is that now, after a long period of distrust, which, owing to propaganda tricks, the people of our countries felt about each other, the moment has come when we should extend our hands to each other. I feel as though we stand at a crossroads. If we follow the road, which we want to follow—to meet each other halfway—then everything will be fine. And perhaps after you yourselves acquire experience in democracy, you will also be able to give us service, sharing this experience—experience in the victory of democracy—with us.

Eric FENSTER: The economic crisis, which began in the United States in 1929, was not only a crisis in the United States. This was a crisis all over the world. Everything that happens in some countries in some way is also transmitted to other countries and affects them. Therefore, we cannot say that some event in your country cannot affect what happens in America. What will be if the economy of the Soviet Union fails? How will this affect other countries throughout the world? Some people will answer that yes, this will have a direct bearing on us and others, since they live so far from the Soviet Union, will simply say: Ah, how interesting, how curious! And they will limit themselves to this. I am convinced that your question—is what is happening in your country as important to Americans as it is to you—is of vital significance to our entire delegation.

Tom BROWN: I would like to express my attitude toward Mr Gorbachev. I am very glad that President Gorbachev is the leader of your country. I applaud him even if only for the fact that he has been able to relax tension all over the world. Look how much headway has already been made in the world. Disarmament agreements have been signed. I think that even more important agreements await signing during President Gorbachev's visit to Washington. With regard to Eric's statement, I don't agree with it at all. Of course, all our trade-union members follow events in the world, but, to be sure, not as closely as you, that is, we are not interested in what happens in your country every day. Perhaps the fact that we have many unemployed people, or perhaps the fact that many people simply do not understand how the collapse of the Soviet economy could affect them, is one of the reasons for this. I myself am an electrician. What I have seen in your country has astonished me to such an extent that I think that superhuman efforts are needed to overcome the crisis in which you live today. All of us who work in transportation know how difficult it is to work on an old motor vehicle, on an old bus, when the engine and chassis are worn out and it is ... necessary to make awe-inspiring efforts to keep the vehicle in operation. I think that a combination of our efforts is the way out of the situation. Then you will be able to help us solve our problems in Detroit and we in the West will help you in solving your problems.

RABOCHAYA TRIBUNA: You have come to our country on the eve of May Day. How do you feel about this workers' holiday?

Elly LEERY: You know, most Americans do not even have an idea that the history of the May Day holiday began in the United States. In our country it is taught in schools and written in newspapers that the May Day holiday is simply a communist invention. Therefore, workers in America, owing to the education that they receive, know nothing about this. We have another holiday—Labor Day. It is observed during the first week of September. It greatly resembles May Day. I think that this is a capitalist answer to a socialist holiday.

RABOCHAYA TRIBUNA: The role of trade unions in the working class movement is now being reevaluated in our country. Trade unions in their previous form satisfy our workers less and less. For many decades relations between our trade unions and your AFL-CIO Association were more than strained. However, as far as one can judge, they were very similar in some things...

Umti JACKSON: I believe that the distrust, which our leadership felt about Soviet trade unions, was the main stumbling block. To a very great extent this distrust also exists now. I have always insisted that we ourselves go to the Soviet Union and see with our own eyes what is going on there, in particular with trade unions. After we have spent several days here, we have the impression that Soviet workers view trade unions as an organization, basically, executing the will of the government, that this organization does not truly protect workers' rights, and that workers remain unprotected—they have no place to turn to if their rights are infringed upon. The point is that trade-union leaders, like state leaders, have many privileges, while simple workers, of course, do not have such privileges. This by no means applies to your country alone. In America people say the following: When two organizations "dance together" for a long time, in the end they become lovers. Workers remain outside such a system, they are left out of these relations. Our position is that official American trade unions, as well as yours, should fundamentally change their policy with respect to workers and become true protectors of their rights. Perhaps the situation has now begun to change slowly and people of totally different traits are elected in our primary trade-union organizations—workers themselves elect them. American trade unions, like Soviet ones, do not give up power so easily. If what is happening in the Soviet Union—and with such a speed at that—had happened in America, I can imagine how our trade-union bosses, sensing that power is slipping away from their hands, would have cried out.

RABOCHAYA TRIBUNA: At the meeting of our newspaper's journalists with readers, which has just been held, one of them, discussing the events in Lithuania, recalled that when, in the opinion of the American leadership, a threat to the life of some dozen American students arose in Grenada, President Reagan sent troops there. Now hundreds of thousands of Russian people,

who live in Lithuania, are greatly worried about their fate. Naturally, there can be no talk of using any force, in no way. However, what is to be done? For example, how would American authorities act if some state in the United States violated the Constitution unilaterally and showed demonstrative contempt for it?

Don WEST: Perhaps they would do this (he makes a movement with his hands as though breaking something).

RABOCHAYA TRIBUNA: But this means to break the neck?

Don WEST: Yes, precisely so. You know, we are sure that in a similar situation the American Government itself would act completely differently than it wants the Soviet Government to act. I myself am a native of a very small town. In such small provincial places it is very difficult to find international information in local newspapers. Now, however, even tiny provincial newspapers almost every day publish information on what is being done in the Soviet Union. Simple Americans are now very concerned about what is going on, in particular, in Lithuania. Do you know why? Since all of them are for perestroika, they are very much afraid that some incorrect government actions, some incorrect decisions will do great damage to perestroika. Take me. I personally don't agree with what Lithuania's leaders are doing. I don't agree with their tactics. The main argument of the Lithuanians is that, since they were not asked whether they wanted to join [the USSR], now they also can secede from the USSR without asking anybody. Later in your Constitution there was an article permitting a republic's secession from the Soviet Union. The same problem could also arise in the United States—for example, if American Indians, who were illegally annexed, would now decide to separate from the United States and declare their rights. They could say that any reservation was an independent state.

RABOCHAYA TRIBUNA: We have letters, in which readers are interested in finding out what the wages of American workers and what trade-union dues are...

Eric FENSTER: This depends on the trade union—different trade unions have different membership dues. Twenty-five different answers can be given to your question.

Kenneth MOOR: In the United States wages differ greatly, but I can tell you what the maximum wage is. For transport workers the maximum wage is 15 dollars per hour. But in small towns they receive less. Unfortunately, a system, under which people work for half rates, is very widespread in our country. So-called President Reagan introduced privatization of the economy. His entire policy boiled down to lowering workers' wages and the number of different benefits paid to simple people. The lowest wage is four dollars per hour. In our system there are workers who receive from 18 to 22 dollars per hour. This is a great deal. In addition, they receive paid leaves, paid holidays, and so forth.

RABOCHAYA TRIBUNA: At the same time, however, the length of the work week, apparently, serves as a wage limiter?

Kenneth MOOR: According to law, workers do not have the right to work more than 40 hours a week, but transport workers are an exception. If they want to, they can work more and, naturally, will receive more money for this. The point is that transport workers have specific features: At times they have to work from early morning till late in the evening and, therefore, it is difficult to regulate the ideal number of work hours here.

RABOCHAYA TRIBUNA: What is the length of a leave?

Eric FENSTER: Five or six weeks. Some have only a two-week—perhaps even one-week—leave... In general, the length differs.

RABOCHAYA TRIBUNA: Why such a short leave—one or two weeks?

Marilyn HEYMAN: This is determined by the contract signed by the worker. Everything depends on your management and on what is written in your contract. For example, if I sign a contract for five years, I will receive a two-week leave during five years. If I sign a contract for eight years, I will have a three-week leave. I myself have been working for 17 years according to a contract. Therefore, my leave is now four weeks. And when my length of service reaches 20 years, my leave will be five weeks. With regard to wages everything is individual here. I now work as a technical secretary in a trade union in San Francisco. I type on a typewriter and earn 15 dollars per hour. You know, for a secretary-typist this is an excellent salary. However, when I return to California, I intend to leave for the northern part of the state and to establish myself in a small town. There I will work as a stenographer in the local municipality and will get only nine dollars per hour. For this place this is a very good salary.

Kenneth MOOR: I have been here only one week and from all sides I hear talk about a market economy. But, in general, in my opinion, none of your simple people truly imagines what this is. You are a central newspaper, which represents centrist views. Education of the masses is your goal. I think that it would be useful if you explain to your readers what a market economy is. If you do not write anything about a market economy, you do not fulfill your duty to readers.

RABOCHAYA TRIBUNA: Talks about the results of a market economy and what it gives are now very popular. Talks about how this economy has arrived at such results and what people have had to suffer on this path—after all, whole nations writhed in convulsions before they found the answer to a question of such a total nature—are extremely unfashionable and unpopular. RABOCHAYA TRIBUNA tries to cover both aspects of this matter—results and means.

At the end of the talk, which lasted several hours, our guests asked us to convey to all RABOCHAYA TRIBUNA readers brotherly greetings and congratulations on May Day and expressed hope for the success of the processes of perestroika taking place in our country.



## MARITIME AND RIVER FLEETS

UDC (338.5:629.12.001.2):658.155.012.7

### Ship Design Costs Examined

904H0230A Leningrad SUDOSTROYENIYE  
in Russian No 4, Apr 90 pp 3-4

[Article by V.V. Malyshev: "The Limit Price of a Vessel Being Designed Under the Conditions of Economic Accountability"]

[Text] The increased requirements posed toward new technology under the conditions of improvements in the business mechanism are forcing serious attention to be paid to the rules for determining the prices for product output. This concerns first and foremost the limit price, which should be determined in the early stages of planning an item and used for technical and economic calculations, substantiation of the expediency of its design engineering and manufacture and the establishment of contract and list prices (1). The limit price is determined, as a rule, by the customer and should be proposed to the developer of the proposal request along with other initial data and requirements. The determination of the limit price at the preliminary-design stage, and moreover by the design-engineer SKB [special design bureau] itself, is permitted for only a few types of technology, including ships.

Be that as it may, the basic purpose of the limit price from the viewpoint of the manufacturer, and first and foremost the design engineer, is to set an upper bound for the spending on creating a ship of a set quality. The spending limit (or limit price) itself, however, should be computed proceeding from the economic interests of the customer for the new vessel, especially under the working conditions of the client-sectors for the ships under full economic accountability. The role of the limit price is namely a maximum value for the contract and list price with a regard for the clearly manifested rise in prices for many items increases all the more in this case.

But the radical change in the methods and conditions of business operation requires a different approach to the principle of forming a limit price for the ship under design. The "ceiling"—or price limit—acceptable to the user of the new item, rather than a cost evaluation of improvements in the consumer features of the new product in which a drop in its relative cost is ensured for the customer (1) (which is also important, of course), should be the main thing in the limit price. The limit price, after all, is in essence that maximum price of a new item that makes it economically inexpedient to use when exceeded. Under economic accountability this signifies that the customer, proceeding from the proposed profits to be provided by the new vessel, sets a price "ceiling" above which normal business activity becomes impossible. The principal role in the issue of determining the limit price for a vessel under design should thus belong to profits. The limit price and the profits from the use of the new vessel within the framework of economic

accountability should be closely linked with each other. This is one of the most important conditions for the correct determination of the limit price in the business activity of the customer.

The principle for formulating the limit price apropos of fishing vessels proposed by the technique in (1) and refined in work (2), however, does not fully meet the contemporary conditions of business operation and is largely oriented toward the spending on the manufacture of the base model rather than the results of the utilization of the new vessel. This is especially clearly visible from the formula presented in work (2), convenient in general for a rough determination of the limit price at the early stages of design engineering for fishing vessels. The higher the price of the base vessel, however—at the basis of which lies the individual cost of the project (essentially, the actual spending)<sup>1</sup> in accordance with the procedure in effect in shipbuilding (3)—the higher the limit price of the vessel under design can be.

One thus need only "skillfully" choose the base vessel, and a high limit price is predetermined. The more so as the base vessel is selected by the design-engineer SKB itself; the limited nature of the choice of vessels for comparison aggravates this situation. There moreover may not be an acceptable variation for comparison at all, and there are many such cases. But even the availability of a more or less satisfactory base vessel does not rid the design engineer of the necessity of allowing for additional expenditures in the price to bring it into a form compatible with health-safety norms, the Rules of the Registry, safety engineering and the like.

It should be taken into account herein that the reflection of the productivity of the new vessel in its price compared to the base model with the aid of the factor  $K_p = B_2/B_1$  (where  $B_2$  and  $B_1$  are the annual productivity of the new and the base vessels respectively) is not correct in all cases. The spending on the design engineering and building of the vessel do not always vary proportionately with its productivity. The use of the formula for calculating the limit price proposed by technique (1) and work (2) thus requires not only the availability of data on the base vessel, but also labor-intensive calculations to bring this vessel into comparable form. The calculations would be justified if the economic well-foundedness of the limit prices being determined were raised as a result. But that may also not always happen.

The practice of determining the limit price according to technique (1) shows that cases are not rare where an efficient enough version of the vessel under design can have a price maximum below the cost of its construction. Using some of the initial data for the example of determining limit prices in work (2), we will calculate the limit price of a new fishing vessel while hypothetically doubling its cost of building and operation, as well as its productivity.

The results of the calculations according to the formulas from works (1, 2) provide a limit price that is less than

the cost of building the new vessel, even though it could have a substantial economic impact (7.2 million rubles<sup>2</sup>), while its economic efficiency, if we evaluate it by comparing the vessel impact and cost ( $I/P$ ), is quite high—120 percent. An analogous situation arises if we keep the data on the design of the new vessel but reduce the initial data for the base vessel by roughly half (see table). It obtains that the use of the formulas for calculating the

limit price from technique (1) could also provide an illogical result. The greatest drawback of this model for the limit price, however, is its virtually complete separation from the actual economic gain to the customer—the profits from the utilization of the new vessel. The very idea of formulating a limit price based on a price for the base vessel, while it is the new vessel that will be operated, is also debatable.

**Results of Calculating the Limit Price of a Vessel Under Design With Variations in the Basic Initial Data for the New and Base Vessels, thousands of rubles**

Indicator	Base vessel	New vessel (with altered data)	Base vessel (with altered data)	New vessel
Cost of building ( $P$ )	3,850	6,000	2,000	3,000
Operating expenses (without deductions for renovation) ( $E$ )	1,230	1,960	620	980
Productivity variation factor ( $K_p$ )	—	1.7	—	1.7
Economic impact ( $I$ )	—	7,200	—	3,760
Economic efficiency ( $I/P$ )	—	1.2	—	1.25
Limit price ( $P_l$ )	—	5,610	—	2,930

The new fishing vessel with a price  $C_n$  in our example will perform a certain volume of work and bring a certain profit to its owner, part of which, as envisaged by the corresponding standards documents, should be transferred to the state budget and the fund of its own ministry in the form of fees and deductions. The owners of the vessel, in accordance with the basic principles of economic accountability in effect in USSR Minrybkhov [Ministry of the Fish Industry] as of 1 Jan 88, should make payments for the productive assets (vessels), to the state budget, the centralized reserves and the reserves of the ministry, as well as to the economic-incentive funds (EIF) of the enterprise, out of the profits obtained. These mandatory payments determine the magnitude of the annual profit, the availability of which guarantees the customer for the new vessel a minimal level of normal business activity— $Z_{min}$ . That is, the price of the new vessel, proceeding from the independent business interests of the customer, can rise until it affects the funds essential for the mandatory deductions and the formation of the enterprise EIF.

The limit price of a new vessel overall under the conditions of economic accountability should in that case be subordinate to the condition

$$P_l \leq (P_n + Z - Z_{min})K_{cr}$$

where  $P_n$  is the average series (average weighted) cost of building (price) of the new vessel computed at the moment of determining the limit price;  $Z$  is the profit over the service life of the vessel;  $Z_{min}$  is the minimum profit level over the service life of the vessel essential for the normal business activity of its owner; and,  $K_{cr}$  is the factor of cost reduction reflecting the degree of uncertainty and instability of the initial data being utilized in the calculations (it can be recommended on the scale of

0.8 at the stage of the development of the proposal request, 0.9 at the stage of the preliminary design and engineering design and 1.0 in the verification of the limit price of the vessel under construction).

The formula for computing the limit price of a vessel under design looks as follows in more expanded form:

$$P_l = (P_n + T \sum_{i=1}^T \alpha_i (D_n - E'_n - {}^a Z_{min})) K_{cr} \quad (1)$$

where  $D_n$  is the annual income to the customer from the use of the new vessel;  $E'_n$  are the annual operating expenses of the new vessel (with deductions for overhaul);  $T$  is the standard service life of the new vessel;  $i$  is the number of years separating the expenditures and results of a given year from the start of the hypothetical year—the first year of operation of the new vessel;  $\alpha_i = 1/(1+A)^i$  is the adjustment factor for expenditures at varying times; and,  $A$  is the adjustment standard.

The minimum profit level over a year of vessel service essential for the normal business activity of its owner can be determined according to the formula

$${}^a Z_{min} = \Phi P_n + O_{min} (D_n - E'_{min}), \quad (2)$$

where  $\Phi$  is the standard charge for fixed capital;  $O_{min} + O_b + O_m + O_{EIF}$  is the general standard for deductions from the profits of the new vessel;  $O_b$  is the standard for deductions to the state budget;  $O_m$  is the standard for deductions to the centralized funds for the development of production, science and technology and for ministry reserves; and,  $O_{EIF}$  is the deduction standard for the economic-incentive funds—the fund for the development of production, science and technology, the social-development fund and the material-incentives fund.

If the profitability of the new vessel, which in the given instance can be defined as  $X = (D_{min} - E'_n)/P_n$ , is planned to be less than the average level for the administration, association or fishing company  $X$ , then the minimum value for the deductions from profits

$$(3) \quad {}^aZ_{min} = \Phi P_n + O_{min} X P_n$$

should take part in the computation of the limit price.

This creates a guarantee of the assigned minimum deductions from profit in the event that an inefficient vessel is created. There is no fear herein of a rise in the limit price of the new vessel via increases in the cost of its construction. The more expensive the vessel being designed, the greater the deductions  ${}^aZ_{min}$  and the lower its limit price overall. The creation of highly profitable vessels with less spending is thus stimulated. The availability of data on the base vessel, as well as labor-intensive but nonetheless not very precise calculations to put the data into comparable form, are moreover not required in the calculation of the limit price according to formulas of the (1) type. This makes it possible not only to reduce the amount of computations, but also to avoid possible distortions in the results obtained.

As an example we will consider the limit price according to formula (1) based on the data for the design of a fishing vessel partially presented in the last column of the table. Let the expected income from the operation of the vessel being designed total 2 million rubles a year. When  $\Phi$  is equal, say, to 0.12,  $T = 18$  years,  $O_{min} = 0.5$ ,  $X = 0.22$ ,  $K_{cr} = 0.9$  and  $E'_n = 1.2$  million rubles.

$$P_1 = (3,000 + 8.2(2,000 - 1,200 - 760)0.9) = 3 \text{ million rubles.}$$

This principle for computing the limit price forces the design engineer to be oriented only toward the result—the income that the new vessel will bring in—regardless of how much the base vessel costs. If the income is high, the limit for the price is higher from the standpoint of the customer. And vice versa. We thus obtain, varying the annual income of 2 million rubles in this or that direction (i.e. by 10 percent), a limit price of 3.73 and 2.04

million rubles respectively. The principle inherent in formula (3) was realized herein in the latter case due to the fact that the profitability of the vessel being designed  $X$  proved to be lower than the average level of  $X$ . If the vessel under design provides for a level of profitability below a stipulated average level, then it is the average profit  $X P_n$  that the ship should provide at such a price, and not the body of profit  $D_n - E'_n$  of an inefficient vessel, that takes part in the determination of the magnitude of  $Z_{min}$ .

The determination of the limit price allowing for the profits expected by the customer of the new vessel and remaining at his disposal after the fulfillment of his financial obligations when operating under full economic accountability ultimately makes it possible to approach the determination of the maximum price of a vessel being designed more objectively under contemporary business conditions.

#### Footnotes

1. Nothing is essentially changed even if the average sector cost of shipbuilding is at the basis of the price.
2. The economic impact from the utilization of the new vessel over a standard service life  $T$  equal to 18 years was calculated according to the traditional formula employed in the sector. See, for example, formula (4.7) in book (3).

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**DATE FILMED**

10 Oct. 1990



